

Lancashire County Council

Lancashire Local Pension Board

Tuesday, 16th January, 2018 at 2.00 pm in Room CHG:03 - A Floor, County Hall, Preston.

Agenda

Part I (Open to Press and Public)

No. Item

Part I (Open to Press and Public)

- 1. Apologies**
- 2. Disclosure of Pecuniary and Non-Pecuniary Interests**
- 3. Minutes of the Meeting held on the 17th October 2017** (Pages 1 - 8)

To be confirmed, and signed by the Chair.
- 4. Draft LCPF Responsible Investment Policy** (Pages 9 - 18)
- 5. Fraud Control - Lancashire County Pension Fund** (Pages 19 - 20)
- 6. Compliance with The Pension Regulator Requirements - Update** (Pages 21 - 36)
- 7. Discretionary Policies Update** (Pages 37 - 74)
- 8. Membership of the Lancashire Local Pension Board** (Pages 75 - 100)
- 9. Lancashire Local Pension Board Work Plan 2018/19** (Pages 101 - 104)
- 10. Lancashire County Pension Fund - Regulatory Update** (Pages 105 - 108)
- 11. Feedback from members of the Board on Training events and Conferences attended since the last meeting.** (Pages 109 - 112)
- 12. Part I reports from Pension Fund Committee** (Pages 113 - 114)

13. Urgent Business

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

14. Date of Next Meeting

The next scheduled meeting of the Board will be held at 2pm on the 24th April 2018 in Room CHG: 04 on 'A' Floor at County Hall, Preston.

15. Exclusion of Press and Public

The Board is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not Open to Press and Public)

16. LCPF Risk Assurance Map Update (Pages 115 - 162)

17. Part II reports from the last Pension Fund Committee (Pages 163 - 164)

18. Breaches reported to Pension Fund Committee since the last meeting

Oral report

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire Local Pension Board

Minutes of the Meeting held on Tuesday, 17th October, 2017 at 2.00 pm in Exchange Room 7 - The Exchange - County Hall, Preston

Present:

Chair

William Bourne

Committee Members

County Councillor Christian Wakeford, Employer rep - LCC

Steve Browne, Employer rep - LCC

Steve Thompson, Employer rep - Unitary, City, Boroughs, Police and Fire

Carl Gibson, Employer rep - Other Employers

Kathryn Haigh, Scheme rep - Active Members

Yvonne Moulton, Scheme rep - Active Members

John Hall, Scheme rep - Deferred Members

Bob Harvey, Scheme rep - Pensioner Members

Officers

James Ahlberg, Information Governance Manager, Local Pensions Partnership.

Diane Lister, Head of Your Pension Service, Local Pension Partnership.

Abbi Leech, Head of Fund, Lancashire County Council.

Helen Gallacher, Pensions Manager Corporate Finance, Lancashire County Council.

Paul Dobson, Treasury and Pensions Manager, Lancashire County Council

Mike Neville, Senior Democratic Services Officer, Lancashire County Council.

1. Apologies

No apologies were presented.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

Mr Hall reported that he would not be continuing as a member of the Board as he was now in receipt of a pension and was therefore ineligible to represent Deferred Members under the Terms of Reference. The Chair thanked Mr Hall for his contribution to the work of the Board and wished him well for the future.

As Mr Hall had previously accessed a full set of papers for the meeting the Board agreed that he should be permitted to attend the remainder of the meeting.

Resolved:

1. That Mr Hall be permitted to attend the remainder of the meeting.
2. That arrangements be made to appoint a new Board member to represent Deferred Members to replace Mr J Hall.

3. Minutes of the Meeting held on the 4th July 2017

The Chair reported that the Pension Fund Committee in September had accepted the Annual Report of the Board without comment and had thanked the members of the Board for their work in supporting the operation of the Fund.

With regard to the request for the purchase of IT equipment from the Pension Board budget Mr Neville reported that the County Council was under no obligation to purchase IT equipment for use by Board members and that such a purchase could set a precedent for other bodies which had co-opted members. In response Mr Browne insisted that IT equipment should be purchased from the Pension Board budget and asked that the matter be discussed further outside of the meeting.

Resolved:

1. That the Minutes of the meeting held on the 17th October 2017 are confirmed as an accurate record and signed by the Chair.
2. That the purchase of IT equipment from the Pension Board budget for use by Board members be explored further outside of the meeting.

4. Presentation on General Data Protection Regulation and cyber security

Mr Ahlberg, Information Governance Manager at the Local Pension Partnership, informed the Board that the General Data Protection Regulations (GDPR) were being introduced in order to reflect modern IT systems and would be more stringent than the Data Protection Act 1988

In considering the presentation the Board recognised the importance of ensuring that employers were both aware of the implications of GDPR and provided with guidance on complying with the new regulations before they came into operation in May 2018.

Resolved:

1. That Mr Ahlberg be thanked for an informative presentation.
2. That arrangements be made for a presentation on the General Data Protection Regulations (GDPR) to be given to the Practitioners Conference in November 2017 to inform employers within the LCPF of the implications and requirements of the new Regulations before they come into operation on the 25th May 2018.
3. That the Head of Fund review existing policies/processes in relation to data held by the LCPF to ensure that the Fund is compliant with the GDPR when it comes into operation.

5. Lancashire County Pension Fund Interim administration report

Diane Lister, the Head of Your Pension Service (YPS) presented a report on the performance of the pension administration service during the period 1st April to 31st August 2017 against agreed standards and targets.

It was reported that YPS was currently handling around 800 calculations associated with providing information to enable individuals to complete their tax returns. In response to a query Ms Lister confirmed that details of the deadlines and responsibilities in respect of HMRCs annual allowances could be circulated to members of the Board outside of the meeting.

The Board discussed the number of Pending Leavers (who were members that the YPS was aware had left employment but for whom a full notification from the employer was awaited) identified in the report and recognised that this was an issue across local government pension schemes. Ms Lister confirmed that the YPS was working with partners to develop a process to minimise any delay in processing the information in order to reduce the number of Pending Leavers.

The number of complaints was also discussed and it was suggested that in future information on the number/spread of complaints would be useful. It was noted that a new telephone system which would handle complaints was due to be introduced and would require the establishment of a new Service Level Agreement.

During a discussion on My Pension Online a member of the Board asked for details of the number of members (listed by employer) who were registered online and suggested that employers be encouraged to make use of the online facility.

In summary the Board recognised that the interim administration report from Your Pension Service was positive, especially when compared with The Pension Regulator's report on Public Sector Pension Schemes elsewhere on the agenda.

The Chair thanked Ms Lister and her colleagues for the interim report and for the good work done to date.

Resolved:

1. That details of the deadlines and responsibilities in respect of HMRCs annual allowances be circulated to all members of the Board outside of the meeting.
2. That the Practitioners Conference in November 2017 be used to encourage employers within the LCPF to engage with Your Pension Service in order to reduce the number of Pending Leavers.
3. That members of the Board contact the Head of Your Pension Service if they wish to join members of the administration team at a drop in session or annual visit to an employer.
4. That the Head of Your Pension Service be invited to attend the next meeting of the Board where the following items will be reviewed:
 - a) compliance with COP14.

- b) fraud control within the LCPF
- c) the current Discretions Policy for the LCPF

6. The Pension Regulator report on Public Service Pension Schemes governance and administration.

The Head of Fund informed the Board that the main focus of the autumn 2016 survey by The Pension Regulator (TPR) had been the governance and administration of public sector pension schemes.

It was reported that the survey had concluded that the Regulator's existing assessment still applied and that the top risks were around scheme governance, record keeping, internal controls and member communications. The Board noted that TPR had highlighted that in the future it was more likely that use would be made of enforcement powers where Scheme Managers had not taken sufficient action to address issues or meet their duties.

The Board recognised that the LCPF was in a good position to address any concerns identified in TPR report, as evidenced by the interim Administration Report at the previous item on the agenda.

Resolved: That the report of The Pension Regulator on Public Service Pension Schemes, as set out in the Appendix to the report presented is noted.

7. LCPF Risk Register Update

The Head of Fund informed the Board that in view of the mitigating controls that were in place the risk ratings for O2 (Reliance on key persons and expertise) O3 (Risk Management) and T5 (External Drivers) had all been reduced. It was noted that I5 (Cash-Flow Management) continued to have a medium rating though the Investment Panel, with the support of LPP, had reviewed the Investment Strategy with a view to recommending specific measures to mitigate this risk.

The Board also acknowledged that the risk rating for O7 (Data Protection and Cyber Security) had been increased on the basis that despite increased resources for Information Governance being made available at LPP it was considered that the transitional IT arrangements and the relatively short deadline for the implementation of the GDPR warranted the increase. It was suggested that consideration be given to purchasing specific insurance for cyber security or whether allocating those resources to additional internal controls would be more effective.

The significance of T3 (Investment Transition) was discussed and it was recognised that the situation would require careful monitoring to ensure that the expected reduction in fees/management costs were achieved and that this should be better articulated in the Risk Register narrative. It was noted that the transition was an ongoing process and during the last 18 months there had been an internal audit which identified some issues that had subsequently been addressed.

Resolved:

1. That the report is noted.
2. That in future the covering report regarding the Risk Register include an expanded narrative to explain key areas of progress.
3. That an update report on the Risk Register is presented to the Board in April 2018 with particular emphasis on progress regarding those issues currently identified as being high risks.
4. That the report specified at 3 above also include an update on the risk assurance map developed by PWC to be reported to the Board in January 2018.

8. Part I reports considered by the Pension Fund Committee in September 2017

The Head of Fund updated the Board on decisions made by the Pension Fund Committee at the meeting on the 15th September 2017 in relation to reports in Part I of the agenda and highlighted the following.

a) Lancashire County Pension Fund - Admission and Termination Policy

The Committee had agreed that an approach based on the yields available on corporate bonds at the date of exit would be adopted to set a discount rate as this was a recognised approach used by a number of other LGPS Funds, based on publically available information, and was similar to the approach used to calculate pension liabilities in employers accounts.

A minor amendment was also agreed regarding the existing charging structure for new admission agreements and academies joining the Fund which would involve additional interest charges where initial pension contributions were paid to the Fund late.

It was noted that the revised Policy was subject to a 3 month consultation period with employers and that a further report would be presented to the Committee in March 2018.

b) External Audit – Lancashire County Pension Fund Audit Findings Report 2016/17

It was reported that the Committee had noted the contents of the Audit Findings report for the LCPF Accounts for 2016/17. The Chair drew attention to the auditor's comments that they would provide an unmodified audit report in relation to both the audit opinion and audit opinion on the annual report.

c) Responsible Investment

The Responsible Investment Working Group established by the Committee had met in September and was due to meet with representatives from LAPF in November to discuss areas where the two authorities can align their policies in order to strengthen the Local Pension Partnership and assist with future pooling.

d) LCPF - 2017/18 Q1 Budget Monitoring Report

The Committee had noted the analysis of variances between actual results and the budgeted income and expenditure for the period 1st April to 30th June 2017, as set out in the report. The board recognised that the value of the Fund had increased as had the associated investment management expenses.

e) Supply of LCPF Custodian Service

The Committee had agreed to appoint an independent specialist firm to assist the Fund in developing a specification for the custodian services and assist in the evaluation of potential tender responses from the independent open OJEU compliant procurement exercise to appoint a provider of custodian services for 3 years, with effect from the 1st April 2018.

Resolved:

1. That all the reports considered by the Pension Fund Committee on the 15th September, 2017 and subsequent decisions are noted.
2. That any recommendations from the Responsible Investment Working Group are presented to the Board for consideration before being submitted to the Pension Fund Committee.
3. That a report be presented to the next meeting of the Board to enable it to review the following key areas in relation to the LCPF budget.
 - Cost savings
 - Productivity gain
 - Risk reduction
 - Service improvement
 - Performance

9. Feedback from Board Members on Recent Training Events and Conferences

K Haigh reported that the Workshops on the 23rd June 2017 (Annual report and Accts) and 27th July 2017 (LCPF Risk Register) had been of a high standard and whilst attendance had been variable there had been good discussions at both.

R Harvey reported that whilst the venue for the LGPS Pension Board Seminar in London on the 19th September 2017 had been difficult to find the presentations had been informative and useful.

Y Moulton informed the meeting that the Workshop on the 20th September 2017 (LPP Strategic Budget & Accts) had been good, though she felt some of the information presented could have been clearer.

Resolved: That the report and feedback from Board members is noted.

10. Urgent Business

Mr Neville reminded the Board that arrangements had been made for the Chair to meet individual members for appraisals on the 29th and 30th November 2017 in Meeting Room CH1:04 in County Hall, Preston.

Resolved: That the arrangements for individual members of the Board to have appraisals with the Chair on the 29th and 30th November 2017 are noted.

11. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 2pm on the 16th January 2018 in Meeting Room CHG:03 at County Hall, Preston.

12. Exclusion of Press and Public

Resolved: That the press and public be excluded from the meeting during consideration of the following item of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

13. Part II reports considered by the Pension Fund Committee in September 2017

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Head of Fund presented a report on the Part II items which had been considered by the Pension Fund Committee on the 15th September 2017 and updated the Board on decisions taken. The Board considered each item in turn, making comments as appropriate.

a) *Lancashire Local Pension Partnership – Quarter 12 Update.*

The Head of Fund outlined the presentation given by representatives from the Local Pensions Partnership (LPP) on the investment and administration functions operating within LPP.

b) Investment Panel Report

It was reported that the Investment Panel had reviewed the current Investment Strategy and agreed some minor amendments around asset allocations. It was noted that the Strategy would be discussed further at the workshop in November when Board members would be able to comment, with final recommendations being presented to the Committee in December 2017.

c) LCPF Performance Overview June 2017

The LCPF continued to outperform both internal and external actuarial benchmarks. The Chair noted that recent years had been exceptional in terms of investment performance and suggested it was unlikely that such a level of performance was sustainable.

In response to a query the Head of Fund confirmed that the County Council had recently appointed Mr Jensen as the Director of Investments and he would be working with the Council's Treasury Management Team. It was also noted that Mr Jensen would provide a strategic advisory role to the Local Pensions Partnership in an independent advisory capacity.

Resolved:

1. That the report and the comments of the Board are noted.
2. That the County Councils appointment of Mr M Jensen as Director of Investments is noted.

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected:
(All Divisions);

Draft Responsible Investment Policy and Climate Change Policy

(Appendices 'A' and 'B' refers)

Contact for further information: Abigail Leech, 01772 530808, Head of Fund

Abigail.leech@lancashire.gov.uk

Mukhtar Master, 01772 532018, Governance & Risk Officer,

Mukhtar.Master@lancashire.gov.uk

Executive Summary

Responsible Investment (RI) encompasses a range of stewardship activities associated with Lancashire County Pension Fund (LCPF) fulfilling its fiduciary duty to act in the best long term interests of fund beneficiaries.

In June 2017 the Pension Fund Committee established a Working Group to explore how to support responsible investment. The Working Group have met on several occasions since and the 'Responsible Investment Policy' for the LCPF (Appendix 'A') and 'Climate Change Policy' (Appendix 'B') are the current draft versions which will be presented to the Working Group on 1st February for final approval before being submitted to the Pension Fund Committee.

Recommendation

The Board is asked to review and comment on the current versions of the 'Responsible Investment Policy' for the LCPF and 'Climate Change Policy' as set out at Appendices 'A' and 'B' respectively.

Background and Advice

On the 30th June 2017 the Committee agreed to establish a Working Group of four members (County Councillor K Ellard, County Councillor S Clarke, County Councillor G Dowding and Councillor R Whittle) with Terms of Reference to be determined by the Chair to explore how to further support responsible investment.

The Working Group, having had discussions with representatives from LPFA, have drafted a Responsible Investment Policy which is aligned with that of the LPFA's policy. It was recognised that some degree of cooperation would be necessary between LCPF and LPFA to ensure that RI priority areas are effectively implemented by LPP.

The Working Group have also drafted a Climate Change Policy.

It is recognised that consultation is key to agreeing priority areas, and hence the Board are asked to review and comment on the current versions of the Responsible Investment and Climate Change Policies for LCPF as set out at Appendices 'A' and 'B' respectively.)

The highlighted text in the Appendices relate to additional comments from members of the Working Group since the last meeting and will be discussed further at the next scheduled meeting on the 1st February 2018 together with any comments of the Board.

The agreed draft policies will then be presented to the Pension Fund Committee on the 23rd March 2017 for consideration and approval.

Consultations

LPP's Responsible Investment Manager attended meetings of the Working Group and has taken part in discussions regarding the drafting of these policies.

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire Local Pension Board provide scrutiny and support to the Pension Fund Committee, in relation to their responsibility to ensure there is effective risk management over the Pension Fund operations.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A

Lancashire County Pension Fund (LCPF)

DRAFT Responsible Investment Policy

1. Introduction

This policy defines the commitment of Lancashire County Pension Fund (the Fund) to responsible investment (RI). Its purpose is to detail the approach that the Fund aims to follow in integrating environmental, social and governance (ESG) issues into its investments. This is consistent with the LGPS Management and Investment of Funds Regulations (2016) and the Fund's fiduciary duty to act in the best long-term interest of our members. The Policy reflects the Fund's Investment Strategy Statement and our approach to complying with the UK Stewardship Code.

2. Responsible Investment Values and Principles

The Funds' values and principles reflect the need to deliver sustainable investment returns in order to pay pension benefits. They recognise the importance of assessing sources of risk and opportunity over an extended time horizon and emphasise the importance of diligent stewardship as part of engaged asset ownership.

Responsible Investment Values:

Consultative	The Funds' RI priorities are a reflection of the views of its members (through consultation with the Local Pension Board), and of evolving best practice within the pension arena.
Being Proactive	A proactive approach to evaluating ESG risks and opportunities is more likely to result in long term benefits for the Fund and is aligned with fulfilling our fiduciary duty.
Engagement	The Fund considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour. We will be supportive of targeted dialogue in situations where positive changes can be brought about to align governance standards with our investment needs.
Collaborative	The Fund recognises that working collaboratively can achieve greater influence than acting unilaterally. The Fund seeks to align itself with likeminded investors through collective organisations such as the Local Authority Pension Fund Forum (LAPFF) of which the Fund is a member.
Flexible	The Fund considers that its RI policy and approach should be reviewed regularly in order to continue recognising and reflecting best practice and addressing emerging priorities.

Responsible Investment Principles

The Funds' RI principles translate our values and commitments into responsible investment practices which can help to deliver a sustainable and sufficient return on all our investments. Our RI principles inform the stewardship arrangements we have agreed with the Local Pensions Partnership as our provider of pensions administration and investment management services.

A summary of the key Responsible Investment principles:

- Effective management of financially material ESG risks will support the Fund's requirement to protect returns over the long term;
- Apply a robust approach to effective stewardship;
- Seek sustainable returns from well governed and sustainable assets;
- Responsible investment is core in our skills, knowledge and advice;
- Seek to innovate, demonstrate and promote RI leadership and Environmental, Social and Governance (ESG) best practice;
- Achieve improvements in ESG through effective partnerships that have robust oversight;
- Share ideas and best practice to achieve wider and more valuable RI and ESG outcomes.

The implementation of LCPF's RI policy is through the activities of Local Pension Partnership Investments Ltd (LPPI) an FCA regulated Investment Manager responsible for 100% of the Fund's assets which are managed within pooled arrangements.

3. Priorities

Identifying core priorities for RI is an important part of focussing the attention of LPP I on the issues of greatest importance to us. It also helps us to monitor the stewardship activities they undertake on our behalf. The issues we have identified as being of primary concern to us as asset owners are:

- Climate change – engaging with pension funds and other stakeholders to develop and share best practice, recognising and managing the risks and opportunities investments face from climate change;
- Corporate Governance – promoting the case for well managed companies which implement fair and just **employment** practices and address excessive corporate pay differentials;

The above mentioned are our main priorities. However there are a number of other RI issues which are of interest to the Fund:

- **Ethical practices regarding off shore** investments and tax havens;
- Companies with a proven record of supporting the Living Wage;
- Encouraging investment in Lancashire based companies;
- **Reducing investments in products such as plastics, tobacco and alcohol.**

Climate change

LCPF recognise the imperative to address climate change as a systemic and long-term investment concern for the fund, as it poses material risks across all asset classes with the potential for loss of shareholder value. The Fund will endeavour to carry out the following:

- Where existing investments in fossil fuels, are in place and identified, those companies must be able to demonstrate planning for the global transition to a low-carbon economy and for the future emissions reduction targets under the Paris Agreement or other appropriate initiatives. Where opportunities for engagement and reform of the company or project are not possible or do not exist, the Fund will make all reasonable efforts to divest provided that this will result in no material financial detriment (either through increased costs or increased investment risk).
- Where our fiduciary duty allows, the Fund will not consider new investments in fossil fuels companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are ignoring the risks of climate change.

Corporate Governance

The Fund will, through our asset managers, promote high standards of employment practices and reasonable and equitable pay differentials for employees. This will be done through actively seeking companies who demonstrate such practices and engaging effectively to encourage these standards within existing investee companies.

LPP I is a named supporter of the Workforce Disclosure Initiative (WDI), a project which aims to "bring institutional investors together behind a call for comparable workforce reporting by publicly listed companies on their global operations and supply chains".

4. Responsible Investment Implementation

The implementation of Fund's approach to Responsible Investment divides into four areas of activity.

a) Voting Globally

The Fund recognises that effective stewardship arrangements protect the financial interest of scheme beneficiaries and contributes to enhancing the value of the Fund's investments. All aspects of shareholder voting is a fundamental part of the Fund's compliance with the UK Stewardship Code.

The Fund's stewardship actions are implemented as an integral part of the investment management services LCPF receives from Local Pensions Partnership (LPP). The Fund's entire investment portfolio is under management by Local Pensions Partnership Investments Ltd (LPP I), a subsidiary of LPP and an FCA authorised investment manager.

All aspects of shareholder voting are carried out in line with LPP 'Shareholder Voting Policy'.

<https://www.localpensionspartnership.org.uk/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fLPP+Shareholder+Voting+Policy+July+2017.pdf>)

The policy covers areas including voting arrangements, 'reporting and disclosures' and voting philosophy.

The responsible investment priority areas identified by the fund for voting purposes are:

1. **Action on Climate Change**;
2. Corporate governance with particular emphasis on **reducing** pay differentials;
3. Improving **Employment** Practices.

b) Engagement through Partnerships

The Fund's second approach involves working in partnership with like-minded bodies. The Fund recognises that to gain the attention of companies in addressing governance concerns, it needs to join other investors with similar concerns. It does this through:

- Local Authority Pension Fund Forum (LAPFF);
- Voting on shareholder resolutions;
- Joining appropriate lobbying activities.

In terms of its engagement approach with other investors, it is most significant through LAPFF. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance among the companies in which they invest. See the LAPFF website for further details:

www.lapfforum.org

LCPF are members of LAPFF and as such representatives of the fund attend and contribute to the quarterly business meetings.

c) Shareholder Litigation

The third approach, adopted by the Fund in order to encourage corporate management to behave responsibly and honestly, is through shareholder litigation. The Fund, in partnership with two US law firms and other shareholders, submits class actions globally where possible and where appropriate.

d) Active Investing

LCPF do not invest directly but, on behalf of the Fund, LPP I actively seeks sustainable investments which meet LCPF's requirements for strong returns combined with best practice in ESG and corporate governance. Such investments include **renewable and clean energy, and affordable housing.**

As part of its commitment to Active Ownership LPP I seeks to use the ownership rights conveyed by the assets under its management to exert a positive influence in favour of transparent and sustainable management behaviour which recognises and addresses the broader trends which bring both risks and opportunities to their business.

Finally, LCPF does not have any strategic asset allocations in specific areas in relation to RI and ESG. This is reviewed to ensure it is still appropriate by the investment panel on a 12 monthly basis.

e) Divestment

The Fund may at its discretion **prefer to divest from a particular company/sector** due to RI considerations, provided that this would not result in any material financial detriment (either through increased costs or increased investment risks).

5. Definitions

Responsible Investment	The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and active ownership practices in the belief that these factors can have an impact on financial performance.
ESG	Environmental, social and governance factors which may impact on company performance and therefore investment returns. Examples include resource management and pollution prevention, climate change impacts, labour management, product integrity, executive compensation, board independence and audit function.
Governance	The process and principles by which a company or organisation undertakes its business. For LCPF, governance includes how it

	undertakes both its operational and investment responsibilities on behalf of its members.
Active Ownership	Refers to the responsibility of LCPF to participate, where appropriate, in the governance decision-making of companies in which it invests by way of voting and by engagement with company management, either directly or via its fund managers. It also recognizes the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.

Lancashire County Pension Fund (LCPF)

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Policy on Climate Change

LCPF recognise the imperative to address climate change as a systemic and long-term investment concern for the fund, as it poses material risks across all asset classes with the potential for loss of shareholder value. The Fund will endeavour to carry out the following:

- Where existing investments **in fossil fuels**, are in place and identified, **those companies must be able to demonstrate planning for the global transition to a low-carbon economy and for the future emissions reduction targets under the Paris Agreement or other appropriate initiatives.** Where opportunities for engagement and reform of the company or project are not possible or do not exist, the Fund will make all reasonable efforts to divest provided that this will result in no material financial detriment (either through increased costs or increased investment risk).
- Where our fiduciary duty allows, the Fund will not consider **new** investments in fossil fuels companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are ignoring the risks of climate change.

LCPF expects LPP to take steps to ensure that the level of exposure to climate change investment risks are evaluated and monitored. This will involve the use of appropriate investigative and analytical tools such as the Transition Pathway Initiative to increase information and provide appropriate input around investment decision making and will be reflected in regular reporting and assurance provided to LCPF.

The Fund have set out a number of actions to further develop this 'Policy on Climate Change' – See **Appendix 1**.

Appendix 1

Action Plan to further develop the Fund's 'Policy on Climate Change'.

The responsible investment working group will commission additional work to enable it to review and develop its climate change policy, with a more comprehensive policy being produced in the next 6 months.

The possibility of establishing a new relationship with energy companies whereby we can invest in sustainable energy projects whilst reducing our exposure to fossil fuels.

- An audit of the current direct and indirect exposure to fossil fuels;
- An evaluation of the financial implications of disinvestment;
- Undertake a review of the practicality of disinvestment from fossil fuels. However, if not, determine the level which is possible;
- Consider the use of tolerance levels for individual investments. For example, would a 0.01% exposure to fossil fuels in a large private equity fund be tolerable?
- Consider what time will be needed to complete the process;
- Consider whether a target can be set to reduce our exposure to fossil fuels from 4.8% to as near zero as possible, within five years as other funds have done;
- Set up mechanisms for monitoring targets and making the process transparent.

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected: None;

Fraud Control - Lancashire County Pension Fund

Contact for further information: Abigail Leech, 01772 530808, Head of Fund,
abigail.leech@lancashire.gov.uk

Executive Summary

The report is produced to inform the Board of the fraud control arrangements in place in respect of the Lancashire County Pension Fund.

Recommendation

The Board is asked to note the contents of the report.

Background and Advice

National Fraud Initiative

In conjunction with Internal Audit, the Fund investigates matches identified as part of the data matching exercise undertaken by the Government's National Fraud Initiative (NFI).

As part of the county council's duty to protect public funds, the Government requires all local authorities to participate in the NFI. The Fund participates in biannual exercises matching electronic data held by public sector organisations to highlight potentially fraudulent activity.

The most common match is where payments continue to be made to an individual found to be registered as deceased. It should be noted that in most cases there is a straightforward explanation for non-disclosure and most cases are found to be genuine oversights rather than fraudulent activity.

Tell Us Once

To mitigate the instances of overpayments to deceased persons, the Fund uses the Tell Us Once (TUO) service provided by DWP. This service allows relatives of the deceased to inform multiple public bodies of a death in one go. This information is then passed to relevant public bodies, including public sector pension funds such as Lancashire County Pension Fund.

Overseas Life Certificates

NFI and TUO do not extend overseas. Therefore, to mitigate the risk of overpayment and potential fraudulent activity, the Fund sends out annual life certificates to all members in receipt of a pension who currently reside overseas. Certificates are accepted where an official has countersigned to confirm the members existence.

Pension Scams Information

Since the introduction of the Governments Freedom and Choice in Pensions initiative, the Fund has been promoting The Pensions Regulator's 'Pension Scams' warning leaflets, particularly where individuals are considering transferring benefits out of the Fund. In addition, the Fund follows LGA guidance in respect of carrying out appropriate due diligence to determine the legal status of a pension scheme before transferring funds.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The measures described within this report are in place to mitigate the risk of overpayments and potential fraudulent payments made from the Fund.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A

Lancashire Local Pension Board

Meeting to be held on 16 January 2018

Electoral Division affected: All

Compliance with The Pension Regulator Requirements - Update

(Appendix 'A' refers)

Contact for further information:

Abigail Leech, 01772 530808, Head of Fund, abigail.leech@lancashire.gov.uk

Executive Summary

The Pensions Regulator (TPR) is, as part of its role to provide independent oversight of public service pension schemes, required to issue a code of practice covering specific matters relating to public service pension schemes. This Code of Practice No. 14 (COP14) has been in place since 1 April 2015.

An initial compliance statement was drafted by the Fund and an improvement plan implemented as a result.

The updated draft Compliance Statement at Appendix 'A' reflects that LCPF remains largely compliant with TPR's requirements for public service pension schemes and that steps taken to improve data quality have been successful.

Recommendation

The Board is asked to consider the draft Compliance Statement as attached at Appendix 'A'.

Background and Advice

Code 14 provides practical guidance in relation to the exercise of functions under relevant pension's legislation and sets out the standards of conduct and practice expected from those who exercise those functions.

A comprehensive compliance document has been drafted summarising the legal requirements placed upon pension schemes by various legislation and TPR's associated guidance. A self-assessment was undertaken to assess how the Fund measures in terms of compliance with the code. This self-assessment does not contain a line-by-line compliance commentary but instead aims to assess the Fund in line with the various sections of the code.

The self-assessment indicates that the Fund largely complies with 'COP14' (Appendix 'A' refers). However, the initial self-assessment highlighted that the Fund

did not meet TPR's requirement that a scheme's 'common data' be 100% accurate, including member addresses. Consequently, an improvement plan was implemented and a member tracing exercise was carried out to improve address data in respect of more than 4,123 deferred scheme members for whom the Fund did not hold a current address. The address details for 2,937 members were updated as a result of this exercise indicating a 71% success rate and an improvement in data quality.

Overall, this review of the Fund's initial self-assessment is encouraging with no significant areas for concern. The Board is asked to consider the updated Compliance Statement as attached at Appendix 'A'.

Consultations

N/A

Implications:

N/A

Risk management

There are no significant risk management implications.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Code of practice no.14 compliance statement

Section	Sub-section	Legal requirement	TPR's guidance	How we Comply
Governing your scheme	Knowledge and understanding required by pension board members [34 – 60]	<p>A member of the pension board of a public service pension scheme must be conversant with:</p> <ul style="list-style-type: none"> • the rules of the scheme, and • any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. <p>A member of a pension board must have knowledge and understanding of:</p> <ul style="list-style-type: none"> • the law relating to pensions, and • any other matters which are prescribed in regulations. 	<ol style="list-style-type: none"> (1) Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding [38]. (2) Schemes should designate a person to take responsibility for (1) [38]. (3) Schemes should prepare and keep an updated list of documents with which they consider pension board members need to be conversant [46] (4) Clear guidance on the roles and responsibilities and duties of boards and its members should be set out in scheme documentation [47]. (5) Schemes should assist pension board members to determine the degree of knowledge and understanding needed [48]. (6) Schemes should provide board members with the relevant training and support that they require [55]. (7) Schemes should offer pre-appointment training or arrange for mentoring by existing board members [56]. (8) Pension board members should undertake a personal training needs analysis [57]. (9) Learning programs should be flexible [58]. (10) Schemes should keep appropriate records of the learning activities of board members [60]. 	<p>The Fund's existing training policy has been amended to reflect the requirements for Knowledge and Understanding.</p> <p>The Head of Fund is responsible for all training matters.</p> <p>Terms of Reference for the Pension Board specify roles and responsibilities and these are documented accordingly.</p> <p>Board members have been introduced to the new CIPFA Knowledge and Skills Framework for Local Pension Boards, published in July 2015.</p> <p>Training and support needs are assessed and developed in line with Board member needs. Training needs are identified in a number of ways including self-identified (by Board members) needs and those identified or suggested by the Fund's officers.</p> <p>A number of media/methods will be used to deliver training, and feedback received as to the efficacy of such will help the fund tailor future training accordingly.</p> <p>Board members are encouraged to discuss their learning needs and experiences at each Board meeting and to ask for the support they need from the Fund for their ongoing learning.</p> <p>Records are being maintained of all formal training attended by Board members and reported on periodically.</p>

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	<p>Conflicts of interest and representation [61 – 91].</p> <p>In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:</p> <ul style="list-style-type: none"> • that a person to be appointed as a member of the pension board does not have a conflict of interest and • from time to time, that none of the members of the pension board has a conflict of interest. <p>Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.</p> <p>Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.</p>	<ol style="list-style-type: none"> (1) The 'Seven principles of public life' should be applied to all board members [70]. (2) Schemes should incorporate these principles into any codes of conduct (and across their policies and processes) and other internal standards for boards [70]. (3) Take professional legal advice when considering issues to do with conflict of interests [74]. (4) Schemes should ensure that there is an agreed and documented conflicts policy and procedure which should be kept under regular review [76]. (5) Schemes should cultivate a culture of openness and transparency [78]. (6) Board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest [78]. (7) Board members should know how to manage potential conflicts [78]. (8) Pension board members should be appointed under procedures that require them to disclose any interests or responsibilities which could become conflicts of interest [80]. (9) All terms of engagement should include a clause requiring disclosure of all interests and responsibilities which could become conflicts of interest as soon as they arise [81]. (10) All disclosed interests should be recorded [81]. (11) Schemes should consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts [82]. 	<p>The Local Pension Board has been established having had regard to the requirements set out in legislation and guidance.</p> <p>All Board Members have completed a Register of Interests declaration having had regard to the Board's Code of Conduct and Conflict of Interests Policy, which was approved in October 2015.</p> <p>The agenda for each Board meeting includes a declaration of pecuniary and non-pecuniary interests in relation to matters under consideration on that agenda. Any such declarations are minuted.</p> <p>Registers of Interest will be reviewed on an annual basis and all Board Members received training at an induction session prior to the first meeting of the Board. Advice on potential conflicts can be sought from Democratic Services officers at any time.</p>
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			<p>(12) Identify, evaluate and manage dual interests [83].</p> <p>(13) Use a register of interests to record and monitor dual interests [84].</p> <p>(14) Capture decisions about how to manage potential conflicts of interest in their risk register or elsewhere [84].</p> <p>(15) The register of interest and other relevant documents should be circulated to the board for ongoing review [84].</p> <p>(16) The register of interest and other relevant documents should be published [84].</p> <p>(17) Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting where necessary [85].</p> <p>(18) Establish and operate procedures which ensure that boards are not compromised by potentially conflicted members [86].</p> <p>(19) Be open and transparent about the way they manage potential conflicts of interest [87].</p> <p>(20) Seek professional legal advice when assessing any option when seeking to manage a potential conflict of interest [88].</p> <p>(21) Membership of boards should be designed with regard to proportionality, fairness and transparency and with the aim of ensuring that the board has the right balance of skills, experience and representation [91].</p>	<p>The Board comprises representation from employers and members. All member representatives have a pensions background, and employer representatives are fully conversant with LGPS issues.</p>
	<p>Publishing information about schemes [92 – 99]</p>	<p>The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.</p>	<p>(1) Schemes should also publish useful related information about the pension board such as set out in 96 and 97.</p>	<p>The Fund has a dedicated web page that includes details such as:</p> <ul style="list-style-type: none"> • Board membership ; • Board terms of reference;

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		<p>The information must include:</p> <ul style="list-style-type: none"> • who the members of the pension board are • representation on the board of members of the scheme(s), and • the matters falling within the pension board's responsibility. 	<p>(2) Have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete [98].</p>	<ul style="list-style-type: none"> • A link to the Lancashire County Council website detailing agendas and minutes of the Board's meetings <p>The Fund publishes all statutory documents on the Your Pension Service website Your Pension Service</p> <p>The website is reviewed at least annually and updated accordingly, as are other media such as leaflets/guides etc.</p> <p>Additionally whenever regulatory or other significant changes occur, relevant media/documentation are reviewed and changed at the time.</p>
Managing risks	Internal controls [101 – 120]	<p>The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.</p>	<p>(1) Internal controls should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risks, reviewing breaches of law and managing contributions to the scheme [103].</p> <p>(2) Internal controls should address significant risks which are likely to have a material impact on the scheme [105].</p> <p>(3) Sufficient time and attention should be spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls [105].</p> <p><u>Identifying risks</u></p> <p>(4) Schemes should carry out a risk assessment [106].</p> <p>(5) Schemes should record risks in a risk register and review it regularly [108].</p>	<p>Internal controls are designed to manage risks facing the fund. As such, the starting point for the fund's approach is the risk register.</p> <p>The risk register is a 'live' document which is reviewed regularly, at least every 6 months and is derived from best practice guidance developed by CIPFA and the DCLG.</p> <p>The risk register categorises risks into several primary areas and ascribes ownership of these risks. Each risk is scored, with 'gross' and 'net' risk scores indicating the scale of a risk before and after mitigation which has been put in place to manage it.</p> <p>Many risks cannot be controlled directly by the Fund, nor can the mitigation measures in place always affect the risk scoring, however as a dynamic document the register serves to track performance in managing risks and ensure a focus on changes in the risk landscape.</p> <p>A documented internal compliance regime reviews progress in managing risk and</p>

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			<p>(6) Schemes should keep appropriate records to demonstrate compliance [108].</p> <p><u>Evaluate risks and develop internal controls</u></p> <p>(7) Prioritise risks where the impact and likelihood of the risk materialising is high [109].</p> <p>(8) Review any existing internal controls [110].</p> <p>(9) Design internal controls to mitigate main risks and consider how best to monitor them [111].</p> <p><u>Monitor controls effectively</u></p> <p>(10) Schemes should periodically review the adequacy of internal controls [115].</p> <p>(11) Internal or external audits and/or quality assurance processes should ensure that adequate internal controls are in place and being operated effectively [116].</p> <p>(12) Review internal controls when substantial changes take place or where a control has been found to be inadequate [116].</p> <p><u>Suggested internal controls</u></p> <p>(13) Internal controls that regularly assess the effectiveness of investment-related decision making.</p> <p>(14) Internal controls that regularly assess the effectiveness of data management and record-keeping.</p> <p>(15) Internal controls that ensure that new employers understand what member data is required and how it should be supplied [112].</p>	<p>ensures that risk owners are accountable accordingly.</p> <p>Clearly, some risks are more significant than others and their relative scale drives the resource input devoted to such; for example the Investment panel and associated due diligence processes ensure a clear separation of duties and a documented decision-making mechanism. Similarly rigorous separation of duties apply to the pensions payroll function which controls around £250m of pension payments annually.</p> <p>Controls are reviewed in a number of ways, such as lessons learned, internal and external audit and continuous improvement drivers.</p> <p>Significant reliance is placed upon both internal and external audits, which review and test existing controls – the fund enjoys very positive feedback from both audit functions and works closely in developing audit programmes, in particular drawing attention to new developments and associated system changes which, being new, can present new and untested risks.</p> <p>Detailed monitoring takes place monthly in respect of investment performance and associated governance/control issues.</p> <p>The fund manages enormous volumes of complex and dynamic data and as such commits significant resource to keeping data clean and up to date in a number of ways.</p>
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			<p>(16) Internal controls that require internal or external auditors to audit any automated systems [112].</p> <p>(17) Internal controls to ensure that systems support the maintenance and retention of good member records [112].</p> <p>(18) Internal controls that ensure that data are complete (e.g. undertake a data-cleansing or member tracing exercise and review this on a regular basis (at least annually or at regular intervals that they consider appropriate) [112].</p> <p>(19) Ensure that all staff completes information management training before they are given access to sensitive data.</p> <p>(20) Ensure that member communications are reviewed regularly [112]</p> <p>(21) Schemes should put in place systems and processes for making an objective assessment of the strength of an employer's covenant.</p>	<p>Internal data cleansing regimes apply, but just as importantly, significant resource is dedicated to supporting employers to ensure they can comply with the fund's data requirements.</p> <p>It is not possible within this document to specify all areas of compliance with the Regulator's suggested internal control framework, however:</p> <ul style="list-style-type: none"> • Information governance training forms part of induction and annual review; • Member communications are reviewed and fine-tuned in the light of feedback • The Fund is putting in place processes and resources to assess employer covenant and proactively manage the outcome of such assessments.
Administration	Scheme record-keeping [122 – 146]	<p>Scheme managers must keep records of information relating to:</p> <ul style="list-style-type: none"> • member information • transactions, and • pension board meetings and decisions <p>Schemes must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.</p>	<p>(1) Schemes should be able to demonstrate to the regulator, where required, that they keep accurate, up-to-date and enduring records [124].</p> <p>(2) Schemes should establish and operate adequate internal controls to support record-keeping requirements [125].</p> <p>(3) Member data should be subject to regular data evaluation [126].</p> <p>(4) Schemes should require employers to provide them with timely and accurate data [128 and 130].</p> <p>(5) Schemes should seek to ensure that employers understand the main events which require information to be passed to the scheme [129].</p> <p>(6) Schemes should be able to trace the flow of funds into and out of the</p>	<p>Details of Pension Board meetings are available via the Fund's website Your Pension Service</p> <p>A data cleaning schedule specifies data cleaning activities during the year. The cleanliness of this data is compared to targets set out by the Pensions Regulator.</p> <p>A records retention policy is in place. Most records are stored electronically, and paper records are in the main stored with LCC's records management team, who securely destroy records in line with the Fund's record retention policy.</p>

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			<p>scheme and reconcile these against expected contributions and scheme costs [131].</p> <p>(7) In respect of keeping information about the pension board, schemes should also keep records of key discussions [133].</p> <p>(8) Records should be retained for as long as they are needed [135].</p> <p>(9) Schemes should have in place adequate systems and processes to enable the retention of records for the necessary time periods [135].</p> <p>(10) Schemes should monitor data (based on a proportionate and risk based approach) on an ongoing basis to ensure it is accurate and complete [136,137].</p> <p>(11) Schemes should carry out a data review exercise at least annually [138].</p> <p>(12) Schemes should continually review their data [138].</p> <p>(13) Upon change of admin system, schemes should review and cleanse data records [140].</p> <p>(14) Schemes should put in place a data improvement plan where poor quality or missing data is identified [141].</p> <p>(15) Schemes should reconcile member records with information held by the employer [142].</p>	<p>The Fund has a policy for chasing and tracing missing or inaccurate member records. A significant tracing exercise was carried out during 2016/17 to improve data quality.</p> <p>Comparisons of active member data with employer payroll data occur each pay period. Reconciliations between pay and contributions are carried out on a monthly basis.</p> <p>The Fund's Pensions Administration Strategy Statement (PASS) outlines mechanisms and deadlines for employers' submission of data to the fund. A very small number of employers do not meet these deadlines, and an ongoing training and support programme provides support to employers to enable them to comply.</p> <p>Additionally the Employer Guide sets out in some detail the Fund's specific data requirements.</p>
	Maintaining contributions [147 – 186]	Employer contributions must be paid to the scheme in accordance with any requirements in the scheme regulations. Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the	<p>(1) Scheme managers should have effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator [150 to 151].</p> <p>(2) Such procedures are likely to involve:</p> <p>(i) Developing a record to monitor the payment of contributions.</p>	<p>An effective process is in place to manage employer contributions due, and their payment.</p> <p>Employers are required to submit detailed information on a monthly basis, in respect of both membership data and the associated financials.</p> <p>A detailed reconciliation framework is continuously applied to the two sets of data,</p>

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		<p>scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable.</p> <p>Where employee contributions are not paid within the prescribed period, if the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they must give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period. Where there is a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law.</p>	<p>(ii) Monitoring the payment of contributions.</p> <p>(iii) Managing overdue contributions.</p> <p>(iv) Reporting payment failures which are likely to be of material significance to the regulator [152].</p> <p><u>Developing a record to monitor the payment of contributions</u></p> <p>(3) Schemes should have a contributions monitoring record [155 to 157].</p> <p><u>Monitoring the payment of contributions</u></p> <p>(4) Schemes should monitor contributions on an on-going basis [161].</p> <p>(5) A risk based and proportionate monitoring approach should be used to identify employers and situations which present a higher risk of payment failure [162].</p> <p>(6) Schemes should have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all [163].</p> <p>(7) Scheme managers must record and retain information on transactions (including any employer and employee contributions) [166].</p> <p><u>Managing overdue contributions</u></p> <p>(8) Where a payment failure is identified, there should be a process to follow to resolve the issue quickly (including the suggested steps set out in the Code) [169].</p> <p>(9) Schemes should keep a record of their investigation and</p>	<p>and employers who do not submit on time are chased accordingly.</p> <p>The vast majority of contributions are collected by direct debit and if an employer doesn't inform the Fund of the exact amount to collect by the due date, an estimated sum due is collected. This ensures cash flow but does cause further reconciliation issues which are to be addressed by a review of this process.</p> <p>Monthly reconciliations highlight any late, overpaid, underpaid or non- payment of contributions. Thus late/missing payment or submission of data is identified and employers chased accordingly.</p> <p>All employers are monitored in the same way.</p> <p>All contributions are recorded and maintained monthly and kept for the required retention period.</p> <p>Any non-payment issues are taken up with employers in the first instance.</p> <p>.</p> <p>A significant effort has been put into training employers and supporting them to understand and deliver on their responsibilities.</p>
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			<p>communications between themselves and the employer [170].</p> <p>(10) Schemes should have a process which is able to detect deliberate underpayment or non-payment or other fraudulent behaviour by an employer [171].</p> <p><u>Reporting payment failures which are likely to be of material significance to the regulator</u></p> <p>(11) Where schemes identify a payment failure, they should attempt to recover contributions within 90 days of their due date [174].</p> <p>(12) Where a payment failure is identified it should at least ask the employer the 3 questions set out in 175.</p> <p>(13) Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator taking into account the wording of the Code [177].</p> <p>(14) Schemes should consider whether it is appropriate to report payment failures of employer contributions to members where it is reported to the regulator [182].</p> <p>(15) Reports to the regulator should be made in accordance with the code.</p>	<p>The service has developed the electronic interface which is used to manage data and cash collection from employers; this enhanced system benefits employers (having to submit one set of data per month only) and also enables any employer performance issues and non-payment to be identified/reported upon.</p> <p>Non or late payment issues will be dealt with in accordance with the Code.</p>
	<p>Providing information to members [187 – 211]</p>	<p>The law requires schemes to disclose information about benefits and scheme administration to scheme members and others.</p> <p>The Code summarises the legal requirements around -</p> <ol style="list-style-type: none"> (1) Benefit statements [188 – 195] (2) Other information about scheme administration [196 – 197]. 	<ol style="list-style-type: none"> (1) Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension [207]. (2) Information should be clear and simple to understand as well as being accurate and easily accessible [207]. (3) Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and 	<p>YPS uses a wide range of communications media such as:</p> <ul style="list-style-type: none"> • An electronic self -service "my pension online" facility and the YPS website, both of which allow members to access pensions information 24/7 • Annual benefit statements that are produced annually and made

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		<p>(3) Who is entitled to information [198 – 199]</p> <p>(4) When basic scheme information must be provided [200 – 201]</p> <p>(5) What information must be disclosed on request [202]</p> <p>(6) How benefit statements and other information must be provided [203 – 206]</p> <p>Scheme should also comply as appropriate with other legal disclosure requirements [211].</p>	<p>ensure that their member data are up-to-date [208].</p> <p>(4) Where a person has made a request for information, schemes should acknowledge receipt if they are unable to provide the information at that stage [209].</p> <p>(5) Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information [209].</p> <p>(6) Information should be readily available at all times to ensure that members are able to access it when they require [210].</p>	<p>available to all members via the online facility. Members who choose to opt out of e communication are provided with a paper copy.</p> <ul style="list-style-type: none"> • Face to face presentations to groups and one to one appointments at pension surgeries are offered to all members • A dedicated helpdesk and email facility are available to members <p>All information whether electronic, written or face to face is delivered in a simple and clear manner avoiding pension jargon. The details of when and what information is provided to members is contained in the communications policy statement that is published on the YPS website at:</p> <p>Lancashire Fund Information . The Fund makes every attempt to contact scheme members. When contact attempts have not been possible, attempts at tracing are made as follows:</p> <ul style="list-style-type: none"> • for active members the service contacts the employer for up to date details; • for pensioner members contact is made with the member's bank in the first instance, asking the bank to forward a letter on. If this isn't successful then the DWP letter forwarding service is tried. • for deferred members, email is used if the member is registered, if not then the DWP letter forwarding service is used <p>Receipt of emails to the pensions helpdesk is confirmed automatically; paper correspondence is not acknowledged, but</p>
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				<p>response times form part of the service's SLA and are monitored accordingly.</p> <p>Details of service standards, targets and processes are published on the Funds website in order to manage member's expectations.</p>
	Internal dispute resolution [212 – 240]	Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.	<ol style="list-style-type: none"> (1) In terms of the LGPS, the requirements relating to IDRP are prescribed in the LGPS regulations. (2) Schemes should publish and make IDRP time limits readily available [225]. (3) Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary. [230 and 240] (4) Schemes should provide the applicant with regular updates on the progress of their investigation. They should notify the applicant where the time period for a decision is expected to be shorter or longer than the reasonable time period and let them know when they are likely to receive an outcome [232]. (5) Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented [233]. (6) Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making [234]. (7) Schemes should confirm and communicate their arrangements to 	<p>Details of the Internal Dispute Resolution Procedure (IDRP) are published on the Fund's website and contained within the employee's brief and full guide. In addition the appeals application form, also available on the website, contains further guidance for members including the specific time limits imposed by the IDRP.</p> <p>Those documents are reviewed regularly to ensure that they are in line with amending legislation and procedures. (The latest versions can be viewed at the link below) https://www.yourpensionservice.org.uk/media/1090/appeals-internal-dispute-resolution-procedure.pdf</p> <p>Procedures for employers are also contained within the employer guide on the website. In addition a guide for employers is also available, used particularly for employers who have a new adjudicator reviewing a stage 1 case.</p> <p>Training for employers and bulletins highlighting problem areas such as Ill health determinations are utilised where appropriate.</p> <p>In respect of stage 1 and stage 2 IDRP cases, a task management process exists through the pension administration system to ensure that the appropriate deadlines and notifications are provided to members and representatives involved in the IDRP and that those deadlines are adhered to. Bespoke documentation</p>

Appendix 'A'

			<p>members, for example, in the joining booklet [235].</p> <p>(8) Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website [235].</p> <p>(9) Schemes should ensure they make the following information available to applicants:</p> <ul style="list-style-type: none"> (i) The procedure and processes to apply for a dispute to be resolved; (ii) The information that an applicant must include; (iii) The process by which any decisions are reached; and (iv) An acknowledgement once an application has been received [239]. 	<p>covers acknowledgements and details of extensions to time limits.</p> <p>The right to appeal a decision under IDRP is part of all YPS documentation where a decision is being taken that may affect a member or prospective member's benefits, whether that be an administering or employing authority decision.</p> <p>A log of all appeal cases is kept detailing dates when cases are received, acknowledged and determined.</p>
	Reporting breaches of the law [241 – 275]	<p>Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:</p> <ul style="list-style-type: none"> • a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with • the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. 	<p>(1) Schemes should be satisfied that those who are responsible for reporting breaches are made aware of the legal requirement and the Code [244].</p> <p>(2) Training should be provided for scheme managers and pension board members [244].</p> <p>(3) All others under a statutory duty to report should ensure they have sufficient level of knowledge and understanding to fulfil that duty [244].</p> <p>(4) Those with a statutory duty to report should establish and operate appropriate and effective procedures in regards to reporting breaches [245].</p> <p>(5) Those procedures should be in accordance with and take into account paragraphs 245 to 262 of the Code.</p> <p>(6) Reports made to the Regulator should be submitted in accordance with paragraphs 263 to 271.</p>	<p>The Local Pension Board follows its 'Reporting Breaches' procedure.</p>

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Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund – Discretionary Policies Update

(Appendices A and B refer)

Contact for further information:

Colin Smith, 01772 534826, Technical Advisor, Colin.Smith@lancashire.gov.uk

Executive Summary

Lancashire County Council as the administering authority of the Lancashire County Pension Fund can exercise a number of discretions under the Local Government Pension Scheme (LGPS) Regulations. The discretionary policy statement represents the Funds current practice against all of the regulatory areas where a discretion exists. Although it is not mandatory for all discretions to be published, for reasons of transparency all the Fund's discretionary powers and related statements are represented in the discretionary policy statement. Those where it is mandatory to publish a written policy are asterisked within that statement.

The LGPS regulations require the Fund to keep their written discretions under review and formulate new ones as and when the scheme regulations require them to do so. The published discretions were approved by the Pension Fund Committee held on 29 January 2016, as such a review is proposed to confirm the statements are still appropriate in terms of the decision making process now that the Local Pensions Partnership administer the Pension Scheme on behalf of the Fund.

However there are 3 policy areas where it is proposed that changes are made. These relate to the Admissions and termination policy, the Pensions administration strategy statement and the actuarial calculation of early retirement costs (Pension Strain) More details on these changes are set out in background and advice below.

Recommendation

The Board is asked to note:

1. The proposed amendments to the Pensions Administration Strategy Statement, the agreed Admissions and termination policy presented at Appendix A and the proposal to revise the actuarial calculation for pension strain from 1 April 2018.
2. The contents of the current discretionary policy statement as presented at Appendix 'B', and note the intended actions to review the powers of delegation within those statements.

Background and Advice

The administering authority can exercise discretions under the following LGPS Regulations:

- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme Regulations 1997
- The Local Government Pension Scheme Regulations 1995
- The Local Government (Early Termination of Employment)(Discretionary Compensation) Regulations 2000

It is proposed that discretionary policies covered under the Local Government Pension Scheme Regulations 2013, highlighted in the recommendations above and in more detail below, will now be tabled at the Pension Fund Committee on 23 March 2018 to be recommended for approval.

Admissions and Termination Policy

It was agreed at the Pension Fund Committee meeting on 15 September 2017 that the proposed changes to the Admission and Termination policy would be submitted for consultation with the Employers in the Fund. This is set out in **Appendix A**.

The subsequent consultation commenced on 20 September 2017 over a three month period in which all participating Employers were invited to respond. The consultation period has now ended.

The primary area being reviewed under the consultation related to the proposed changes in actuarial assumptions which are used to assess the value of the liabilities at the point an employer exits the fund. In discussions with the Fund's actuaries it was felt that current methodology did not provide enough protection for the remaining employers from the downside risks and as such the policy was updated to provide that further protection. As such an approach based on the yields available on corporate bonds at the date of exit has been proposed to be adopted being a recognised approach used by a number of other LGPS Funds based on publically available information and a similar approach as that used to calculate pension liabilities in employer's accounts.

All of the feedback provided during the consultation period by employers has been fully considered in determining the outcome of the consultation, and it is now proposed that the changes to the policy are to be recommended to the Pension Fund Committee.

Pension Administration Strategy Statement

Regulation 59 of the Local Government Pension Scheme Regulations 2013 allows for the Fund to prepare and publish, following consultation with Fund Employers, a Pension Administration Strategy Statement (PASS). The Fund has a PASS currently in place which was last reviewed in 2014.

A revised draft will be taken to the Pension Fund Committee in March for approval to then consult with Fund employers on the revisions to the PASS. It is proposed that the revised draft will extend the number of employer and fund performance standards to be measured. These performance standards will be in line with any updated service level agreement changes agreed with the Local Pensions Partnership. Any changes agreed will either be at the same or an improved level.

In addition whilst the current PASS makes reference to the circumstances where a recovery of additional costs for underperformance or late payment may occur, it does not detail a charging scale for non-compliance.

It is intended that the table below, setting out the charges which the Fund will levy on a scheme employer whose performance falls short of the standards, will be inserted into the PASS. This reflects the additional administration involved in securing payment of sums due to the Pension Fund and submission of required data and information.

Item	Charge
Late payment of employee and employer contributions	£50 plus interest*
Late or non-provision of a schedule of contributions paid or the poor quality of information submitted	£50 per occasion
Underpayment of employee or employer contributions	£50 plus interest*
Late or non-provision of monthly data collection files	£250 plus £100 for every month the information is late
Late or non-provision of starter information	£50 per month for data not received or late
Late or non-provision of leaver information	£50 per month for data not received or late
Fines or additional costs incurred by the Pension Fund in relation to a specific scheme employers' poor performance	Full cost of fines or additional charges

* Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus one percent.

Pension strain

It was broadly expected that the Public Sector exit payment regulations would bring about a consistent LGPS-wide approach to the calculation of early retirement

costs. However, given the delays being experienced it is unlikely that a standardised approach and set of factors to calculate Early Retirement Costs across all LGPS Funds will be in place in the near future.

As a result of the delays, it is therefore appropriate for the factors currently underlying the calculation of Early Retirement Costs to be reviewed in light of the assumptions adopted at the 2016 actuarial valuation. The factors were previously updated following the 2013 valuation exercise.

Following completion of the actuarial valuation of the Fund as at 31 March 2016, the Fund, on the advice of the Actuary, has decided to review the factors currently underlying the calculation of Early Retirement Strain costs, as such it is proposed to increase strain costs by 5% in relation to an early retirement.

Although costs will increase slightly, paying the higher amount reflects more closely the underlying funding cost of an individual retirement. It therefore means that there is less chance of these costs giving rise to additional deficits (and additional deficit contributions) for fund employers at the next actuarial valuation.

The planned update to the factors is scheduled to take place with effect from 1 April 2018. Fund employers will be notified in advance of these proposed changes.

Consultations

In relation to the revised Pension Administration Strategy Statement the Fund is required to consult its employers.

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

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APPENDIX A

ADMISSION AND TERMINATION POLICY

**LANCASHIRE COUNTY PENSION
FUND**

SEPTEMBER 2017

Lancashire County Council

A - INTRODUCTION

This document details the Lancashire County Pension Fund's (LCPF) policy on admissions into the Fund, the methodology for assessment of a termination payment on the cessation of an employer's participation in the LCPF, and considerations for current admission bodies. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS).

POLICY OBJECTIVES

RISK MITIGATION

The Fund, in managing the admissions and exit process, aims to mitigate risk as far as possible, within its risk management framework. The admissions and exit process reflects this framework.

EFFICIENT PROCESSES

The Fund, in managing the admissions and exit process, aims to operate procedures which minimise both cost and time taken to complete the necessary formal processes.

COSTS OF MANAGING ADMISSIONS AND TERMINATIONS

The Fund will pass on relevant actuarial costs to new employers but at the same time operate a model which seeks to minimise these costs. The Fund will also recover its own costs from employers and apply a charging framework which encourages early engagement between involved parties and reflects the additional costs involved when admission requests are not made in good time.

It is essential that the Fund be given adequate notice of employers' plans around contracting-out exercises and other structural or organisational changes which will result in a new application for admitted body status; to this end the Fund's charging framework reflects the extra costs associated with 'late' admissions.

LCPF 'DEFAULT' POSITION

This policy has been subject to consultation with employers in 2015: where the term 'default position' is used within this policy it is assumed that any existing or aspirant employer has made itself aware of, and accepts, existing policy and practice, unless specifically stating otherwise. In practical terms this means where there is a requirement (on the Fund) to consult with employers around aspects of the admissions/entry process, the Fund will assume employers accept its default position unless the employer expressly states otherwise. Should an employer wish to deviate from the Fund's default position then the Fund's charging framework will reflect the additional cost of doing so.

The Fund has discretion over many employers it chooses to admit, and whilst it wishes to see members who transfer to another employer, as a result of an arrangement to carry out work on behalf of a scheme employer by means of a contract or other arrangement, to retain the benefits of ongoing LGPS membership, it may not accept applications from employers which have not previously adhered to the Fund's Pensions Administration Strategy Statement.

Please see the glossary for an explanation of the terms used throughout this document.

B - ENTRY TO THE FUND

1. BACKGROUND

Admission bodies are a specific type of employer under the Regulations that govern the Local Government Pension Scheme (LGPS) (the "Regulations"). Unlike other employers, such as county councils, district councils, academies and further and higher education corporations, who are named within the Regulations as bodies having an automatic right to participation in the LGPS, admission bodies do not automatically qualify for admission and must instead satisfy certain criteria as set out in the Regulations. They also need a written admission agreement to be admitted and participate in the LGPS.

The Council as administering authority may make an admission agreement with any admission body that satisfies the criteria under the Regulations. An admission agreement will enable all (or any specified class) of the admission body's employees to be members of the LGPS and participate in the LGPS.

Any application for admitted body status MUST be submitted to the Council, as administering authority, in good time to enable actuarial information to be obtained and the legalities associated with admission to be dealt with. Applications should be submitted at least three months before the proposed transfer or admission date.

Regulation reference: Regulation 3 (5), 4 (2) (b) and Schedule 2 part 3 paragraph 1 and 12 (a) of the Local Government Pension Scheme Regulations 2013/2356

The regulations above detail the criteria under which an admission body may enter into an admission agreement with the Lancashire County Pension Fund. Those criteria are set out below specifically under the terms of Schedule 2 Part 3 paragraph 1 and Regulation 4 (2) (b):

Schedule 2 Part 3 paragraph 1

- a) *a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);*
- b) *a body, to the funds of which a Scheme employer contributes;*
- c) *a body representative of*
 - i. *any Scheme employers, or*
 - ii. *(ii) local authorities or officers of local authorities;*
- d) *a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—*
 - i. *the transfer of the service or assets by means of a contract or other arrangement,*
 - ii. *a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),*
 - iii. *directions made under section 497A of the Education Act 1996;*
- e) *a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme*

Regulation 4 (2) (b)

Where a person's entitlement to be a member of an NHS Scheme is by reason of employment by—

- i. *a Care Trust designated under section 77 of the National Health Service Act 2006,*
- ii. *an NHS Scheme employing authority as a result of a prescribed arrangement under section 75 of that Act, or section 33 of the National Health Service (Wales) Act 2006, or*

- iii. the Care Quality Commission as a result of a transfer of employment from the Commission for Social Care Inspection, in connection with its dissolution under Part 1 of the Health and Social Care Act 2008;*

Then that person can be designated as eligible for membership of the Scheme in an admission agreement made between an administering authority and one of the bodies specified in (i) to (iii) above if the person was an active member immediately before becoming employed by one of those bodies; and the person is not an active member of an NHS Scheme in relation to that employment.

2. POLICY STATEMENT

a) Criteria for admission to the Lancashire County Pension Fund of prospective admission bodies falling under Schedule 2 Part 3 para 1 (d) (i) (formerly known as Transferee Admission Bodies)

Admissions under this criterion relate to organisations that have taken on work on behalf of a scheme employer by means of a contract or other arrangement. The Fund's policy is to accept these admissions but may not do so if there are unaddressed concerns around the prior compliance, with the Fund's Pensions Administration Strategy Statement (PASS), of an existing admitted employer. The Fund dedicates significant resource to supporting employers with PASS compliance, and will engage on an ongoing basis with employers proactively to ensure they understand and meet PASS commitments.

Unless exceptional circumstances are identified the Fund's default position will be for the admitted body to commence from a 100% funded position and be closed to those eligible employees identified at the point of transfer.

In addition where it is deemed appropriate, following a risk analysis agreed by the transferring Scheme employer and administering authority, a bond, indemnity or other form of security may be required to be put in place to cover potential liabilities. The Fund reserves the right to insist on security even if the transferring employer does not agree.

b) Criteria for admission to the Lancashire County Pension Fund of prospective admission bodies falling under Regulation 4 (2) (b)

An application for an admission agreement from a Care Trust will be accepted on the basis that a guarantee will exist (or if in doubt, be explicitly provided) by either the NHS or the Local Authority as part of partnership working arrangements, or ultimately the Treasury in the event that a trust failed.

c) Criteria for admission to the Lancashire County Pension Fund of prospective admission bodies falling under Schedule 2 Part 3 para 1 (a) (formerly known as Community Admission Bodies) and the remaining criteria under schedule 2 Part 3 excluding a) above

The Fund will expect an existing scheme employer to act as guarantor in respect of an admission (normally the Fund will require this to be a scheduled body of suitable standing). Otherwise, the Fund's policy is not to accept admissions unless exceptional circumstances apply, as determined by the Head of the Lancashire County Pension Fund.

Where an admission is agreed, following a risk analysis agreed by the administering authority, a bond, indemnity or other form of security may be required to be put in place to cover potential liabilities as determined by either the Fund actuary or the Fund.

In all cases an admission body must accept and agree to meet the conditions of participation detailed at Appendix 1 and the clauses set out within Lancashire County Pension Fund's standard draft admission agreement.

The Fund's default position is that it will not amend its standard Admission Agreement template; should a prospective admitted body wish to enter into discussions around changing clauses within the template, then the staff time involved on the Fund side will be charged at £35 per hour

FUTURE SERVICE CONTRIBUTION RATES AND DEFICITS

In line with the philosophy of minimising costs for all involved, the Fund will use models (where possible) provided by the Fund actuary which will set interim future service contribution rates (FSR) and deficits according to the principles set out below.

Models are used in respect of new academies, Parish or Town Councils and the admission of an employer in respect of an arrangement to carry out work on behalf of a scheme employer by means of a contract or other arrangement.

Where the parameters fall outside those specified within the models below, admissions will normally involve a full actuarial assessment of relevant parameters. Any risk issues will be addressed by the Fund with a view to minimising risk exposure to itself.

The deficit recovery periods for all admission bodies will normally be determined against the policy set out in the Funding Strategy Statement. However the administering authority reserves the right to determine that an employer specific deficit recovery period will apply.

1 - ACADEMIES

The new Academy will generally be an ex-Local Education Authority (LEA) school from one of the Fund's three employers with LEA status. Where this is the case:

- The FSR will be set at the previous employer's existing FSR rate, which will apply until the next valuation;
- The opening deficit will be calculated using an actuarial model which allocates a share of the LEA's deficit at the most recent valuation of the Fund.

At the next valuation a 'stand-alone' FSR and deficit will be calculated by the Fund's actuary. The Fund's general deficit recovery policy will be used to determine deficit payments, unless its risk management framework determines that a different period be applied, either at the academy creation stage or at subsequent triennial valuations

Where a new academy joins the Fund as an independent free school or via its status as part of a multi-academy Trust which is already a Fund employer, and where the pre-Academy status school was not the responsibility of either Lancashire County Council, Blackburn with Darwen Borough Council or Blackpool Borough Council, no opening deficit will typically be assigned. The FSR applied will initially match the LEA area in which multi academy trust or stand-alone free school is based. Any deficit arising at the next triennial valuation will be assigned to the new academy accordingly.

Academies which were previously schools under an LEA outside of the three existing LCPF LEA employers will only be able to join LCPF if they join a MAT which is already a Fund employer. If an academy leaves one MAT and joins another which is not a LCPF employer, any deficit will be allocated to the previous MAT.

Given that there are a growing number of academy chains (or multi academy trusts), which operate as single employers with common policies in regard to issues such as ill health and early

retirement and common sets of employer discretions, the Fund will offer the option of pooling to academy chains as part of subsequent valuation exercises.

The proforma provided by the Fund's actuary to establish the temporary rates will be updated following each valuation of the fund.

2 – PARISH OR TOWN COUNCILS

Temporary contribution rates are used based on the most recent valuation funding assumptions and the average age of member/s involved. The factors cover future service only, and so assume that the employer is fully funded on admission. If this is not the case then cases are referred to the Fund's actuary for assessment.

Similarly cases will also be referred to the scheme actuary if any member has an earlier period of LGPS service which they wish to link to service with the Parish or Town Council or, additionally, where exceptional circumstances are identified.

The temporary FSR will apply until the next valuation, at which stage a 'stand-alone' FSR for the Parish or Town Council will be calculated by the Fund's actuary.

The proforma provided by the Fund's actuary to establish the temporary rates will be updated following each valuation of the fund.

3 – PROSPECTIVE ADMISSION BODIES FALLING UNDER SCHEDULE 2 PART 3 PARA 1 (D) (I) (FORMERLY KNOWN AS TRANSFEREE ADMISSION BODIES)

Admission agreements for bodies relating to organisations that have taken on work on behalf of a scheme employer by means of a contract, will have an opening FSR matching the transferring employer's FSR, where the criteria set out below are met:

- The admission body is fully funded at the outset
- The number of transferring pensionable employees is less than 2% of the transferring employer's payroll
- The number of transferring pensionable employees is less than 20
- The contract length is limited to a maximum of 5 years

Under these circumstances the FSR used throughout the lifetime of the contract will match that of the original transferring employer (including any changes following triennial valuations).

Under this approach the original transferring employer assumes the assets and liabilities at the end of the contract without a termination calculation being carried out. This principle also applies where a contract is re-let to either an incumbent or new contractor.

Where the above criteria are not met, then, at the point of admission, the FSR will be set by the Fund actuary, and reassessed at each following valuation. At the end of the contract any identified deficit will be recovered from the out-going admission body. If this cannot be recovered from the admission body, or a surplus position exists, then this will be absorbed by the original transferring employer. This principle also applies where a contract is re-let to either an incumbent or new contractor.

Transferring employers will be able to propose the use of other models, any security arrangements or termination deficit calculations. However the Fund will not instigate discussion around such and will assume the transferring employer accepts the above approach unless stated otherwise. Where the transferring employer deviates from the standard approach additional costs will be incurred.

C - EXITING THE FUND

BACKGROUND

Lancashire County Pension Fund must obtain an actuarial assessment showing the exit payment due when a body ceases to be a scheme employer or no longer has any active members. That body is liable for the exit payment. This applies equally to all scheme employers participating in the fund, regardless of whether an admission agreement is in place. The purpose of the exit payment is to ensure all future liabilities arising from the exiting employer's members are met by the employer at the time of exit.

In the event that these liabilities cannot be recovered from the exiting employer then these liabilities will normally fall to be met by the Fund as a whole (i.e. all scheme employers) unless there is a guarantor or successor body within the Fund.

Regulation reference: Regulation 64 of the Local Government Pension Scheme Regulations 2013/2356;

POLICY STATEMENT

A termination assessment will always be carried out for bodies who cease to be a scheme employer within Lancashire County Pension Fund, the actuarial cost of which will be charged to the outgoing scheme employer, together with any other related costs of the termination. The exception to this will be those admission bodies where it is agreed that liabilities will be subsumed by the relevant transferring scheme employer as detailed in part B of this policy statement.

Treatment of assets and liabilities at termination will be as follows:

- Where a guarantor is in place, all assets, liabilities and any funding deficit (not recovered from the outgoing body) will be subsumed by that guarantor being that they will also be a scheme employer within the Fund.
- If there are surpluses at termination then these will be subsumed by the Fund, unless the admission body exists under the criteria set out in Schedule 2 Part 3 para 1 (d) (i) relating to organisations that have taken on work on behalf of a scheme employer by means of a contract, in which case on termination, any 'orphan' liabilities and the related assets in the Fund will be subsumed by the relevant scheme employer.
- If there are potential liabilities that cannot be recovered from the outgoing employer and a bond or other form of security is in place, then the amount of those liabilities will be recovered from the bond/security.
- In the case of older admissions in place prior to 20/11/2009, where there is no guarantor, bond or other security in place and where the existing admission agreement has not been subsequently amended to include a guarantor, bond or other security, then following the termination assessment any outstanding liabilities will be recovered from the outgoing body. Where this is not possible then this liability will be subsumed by the Fund as a whole. Any surplus identified will likewise be subsumed by the Fund.

The regulations allow the fund to suspend (by issuing a "suspension notice") an exiting employer's liability for an exit payment for any period up to 3 years. This is only possible where, in the reasonable opinion of the administering authority, the body is likely to have one or more active members in relation to the Fund within the period specified in the suspension notice. On this point, the Fund will always seek to recover the exit payment due at the point no more active members exist, unless it can be demonstrated that exceptional circumstances apply to allow a suspension period to apply.

FUNDING ASSUMPTIONS FOR TERMINATION CALCULATIONS

The LCPF policy is that a termination assessment will be made based on a corporate bond funding basis, **unless** the terminating employer has a guarantor within the Fund or a successor body exists to take over their liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the terminating employer's liabilities will become "orphan liabilities" within the Fund, and there will be no recourse to the terminating employer if a shortfall emerges in the future (after termination).

If, instead, the terminating employer has a guarantor within the Fund or a successor body exists to take over their liabilities, the LCPF policy is that the valuation funding basis will be used for the termination assessment. The guarantor or successor body (or the Fund in respect of older admission arrangements) will then, following any termination payment made, subsume the assets and liabilities of the terminating employer within the Fund. This may, if agreed by the successor body, include the novation to the successor of any funding deficit on closure, in place of a termination payment being required of the admission body itself.

The corporate bond financial assumptions that applied at the actuarial valuation date (31 March 2016) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

31 March 2016	Valuation funding assumptions	Corporate bond assumptions
Discount Rate	4.4% p.a.	3.6% p.a.
CPI price inflation	2.2% p.a.	2.2% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.	2.2% p.a.

All demographic assumptions will be the same as those adopted for the 2016 actuarial valuation, except in relation to the life expectancy assumption for the corporate bond approach. Given these financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

Therefore the corporate bond approach for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the rate of improvement in mortality rates to 2% p.a. from 1.5% p.a. used in the 2016 valuation for ongoing funding and contribution purposes.

Notwithstanding the above, at the discretion of the Head of Fund a "minimum risk" approach may be used for the calculation of the termination assessment. Under such an approach the discount rate would be linked to long-term gilt yields rather than corporate bond yields. If this were to be applied then the employer would be notified when termination was being discussed.

NOTIFICATION OF TERMINATION

In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the Regulations, in the event of the Administering Authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Administering Authority that it will cease to be a participating employer. In this case, employing bodies are encouraged to

open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

TERMINATION PAYMENTS

The Fund's standard policy is to recover termination deficits (including interest and expenses) as a one off payment. However, at the discretion of the Administering Authority, the deficit can be recovered over an agreed period as certified by the Actuary. This period will depend on the Administering Authority's view on the covenant of the outgoing employer.

The actuarial cost of carrying out the termination assessment will be charged to the outgoing employer, together with any other related costs of the termination.

D - CHARGING STRUCTURE

'TARIFF' CHARGES – RECOVERY OF LCPF ADMINISTRATION COSTS

- Admission agreement - £1,000
- New Academy – £350

'NON-TARIFF' CHARGES – RECOVERY OF LCPF COSTS

The above represents the charging structure for new admission agreements and academies using the Fund's default position. Where employers choose to deviate from the Fund's default position the Fund's costs will be recovered at a rate of £35 per hour in addition to the 'tariff' rates above.

Where pensions contributions due to the LCPF are paid 'late' then additional interest charges will be made against those contributions. 'Late' within this context means where the appropriate pension contributions have not been paid across to the fund on or before the due date. To be clear the due date is 19 days after the end of the month in which a new employer is deemed to have commenced in the LCPF.

The interest charges applicable will be in line with the requirements set out in regulation 71 of the LGPS Regulations 2013/2356. Under this arrangement any interest payable will be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

The Fund commits to processing model-based admissions within a month of first becoming aware of an impending admission, provided that all information needed to complete the admission has been provided to it at the outset of the process.

RECOVERY OF OTHER COSTS

Actuarial, Legal and any other costs incurred by LCPF in direct relation to an admission will be recovered from the new employer.

E - RISK MANAGEMENT

When an employer is admitted to the Fund, the regulations require that a risk assessment be carried out. The purpose of this risk assessment is to ensure that any liabilities which arise from the admission are paid for by the admitted employer.

Whilst circumstances can vary, in general terms, under a contracting out arrangement the transferring employer 'guarantees' the new employer's liabilities, in the event (due for example to insolvency) that any liabilities are not paid when due. Transferring employers can, in conjunction with LCPF, decide that security measures be put in place to mitigate against this risk.

Such matters require context and judgement in applying the regulations— for example if the potential liabilities are small in comparison to the transferring employer's financial strength, then the risk assessment and mitigation process may in itself be disproportionate, time consuming and costly relative to the risks involved.

The default position is that the Fund will carry out an assessment of risk, and will notify the transferring employer of this, but will only engage in active discussion with the transferring employer if it considers that security measures are required. If the transferring employer insists on security despite the Fund's viewpoint, then the work involved by the Fund in setting up and agreeing security measures will be charged at £35 per hour.

Where an aspirant admitted body joins the Fund under the exceptional circumstances route (as specified in section B2 above) the Fund will carry out a risk assessment and will only accept the admission if it is satisfied with the mitigation mechanism proposed.

GLOSSARY

Actuarial Valuation:

An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority:

The council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies:

A specific type of employer under the Local Government Pension Scheme (the “LGPS”) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

CPI:

Acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Corporate bond basis:

An approach where the discount rate used to assess the liabilities is determined based on the yields of AA-rated corporate bond investments based on the appropriate duration of the liabilities being assessed. This may be adopted for employer accounting purposes, and also is usually adopted when an employer is exiting the Fund.

Covenant:

The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit:

The extent to which the value of the Fund’s past service liabilities exceeds the value of the Fund’s assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period:

The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate:

The rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate:

The contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Scheme employers:

Any organisation that participates in the LGPS, including admission bodies.

Funding or solvency Level:

The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement:

This is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Guarantee/guarantor:

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Letting/transferring employer:

An employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities:

The actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS:

The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Members:

The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis:

An approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This may sometimes be adopted when an employer is exiting the Fund.

Orphan liabilities:

Liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Recovery Plan:

A strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies:

Employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers. Scheduled bodies include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Valuation funding basis:

The financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

Appendix 1

Conditions of Participation

1. PAYMENTS

- 1.1 The Admission Body shall pay to the Administering Authority for credit to the Fund such contributions and payments as are due under the Regulations in respect of those employees who are eligible to participate in the Fund.
- 1.2 The Admission Body shall pay to the Administering Authority for credit to the Fund the employee and employer pension contributions on a monthly basis in arrears. The payment must be paid to the Administering Authority within 19 calendar days of the end of each month in which the pension contributions have been deducted.
- 1.3 The Admission Body shall pay to the Administering Authority for credit to the Fund any additional or revised contributions due as result of additional pension being awarded or as a result of outstanding liabilities due should the admission agreement terminate. Payment will be due within 30 calendar days of receipt of a written request from the Administering Authority.
- 1.4 Any employees' Additional Voluntary Contributions ("AVC's") or Shared Cost Additional Voluntary Contributions ("SCAVC's") are to be paid direct to such AVC body and/or AVC insurance company selected by the Administering Authority and notified to the Admission Body. Contributions shall be paid within 19 calendar days of the end of each month in which the contributions have been deducted.
- 1.5 Where the Admission Body certifies that:
 - 1.5.1 an eligible employee aged 55 or more, is retiring by reason of redundancy or in the interests of efficiency; or
 - 1.5.2 an eligible employee is voluntarily retiring on or after age fifty-five (55) and the Admission Body exercises a discretion to waive actuarial reductions; or

- 1.5.3 an eligible employee who is a deferred member of the Scheme requests that their benefits are brought into payment early on or after age fifty-five (55) and the Admission Body exercises a discretion to waive actuarial reductions;

and immediate benefits are payable under the Regulations the Admission Body shall pay to the Administering Authority for credit to the Fund the sum notified to them in writing by the Administering Authority as representing the actuarial strain on the Fund resulting from the immediate payment of benefits as certified by an actuary appointed by the Administering Authority. Such sum to be paid (unless other terms are agreed between the Administering Authority and the Admission Body) within thirty (30) calendar days of receipt by the Admission Body of the written notification.

- 1.6 The Admission Body shall indemnify the Administering Authority against any financial penalty and associated costs and expenses incurred by the Administering Authority or by the Fund arising from any failure by the Admission Body to comply with the terms of the Admission Agreement entered into by it, the Regulations or any overriding legislation. Such payment is to be paid within 30 calendar days of receipt of a written request from the Administering Authority.
- 1.7 If any sum payable under this Agreement or the Regulations by the Admission Body to the Administering Authority or to the Fund has not been paid (in whole or in part) within the payment period specified (or otherwise in accordance with the Regulations) the Administering Authority may require the Admission Body to pay interest calculated in accordance with Regulations on the amount remaining unpaid.

2. ADMISSION BODY'S UNDERTAKINGS

The Admission Body undertakes:

- 2.1 to provide or procure to be provided such information as is reasonably required by the Administering Authority relating to the Admission Body's participation in the Fund including (but not limited to) details of the pay and final pay of each eligible employee;

- 2.2 To comply with the reasonable requests of the Administering Authority to enable it to comply with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734);
- 2.3 To adopt the practices and procedures relating to the operation of the Scheme as set out in the Regulations and in any employer's guide published by the Administering Authority and provided by the Administering Authority to the Admission Body;
- 2.4 To formulate and publish within 3 calendar months of commencement a statement concerning the Admission Body's policy on the exercise of its functions or discretions in accordance with the requirements of the Regulations and to keep such policy under review;
- 2.5 To notify the Administering Authority of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion;
- 2.6 To notify promptly the Administering Authority in writing of any material change in the terms and conditions of employment of any of the eligible employees which affects entitlement to benefits under the LGPS and of any termination of employment;
- 2.7 To immediately notify the Administering Authority (and the Scheme employer where appropriate) in writing of any matter which may affect or is likely to affect its participation in the LGPS and of any actual or proposed change in its status which may give rise to a termination of the admission agreement or in the case of a transferee admission body which may give rise to a termination of the Contract between the admission body and the Scheme employer including but not limited to take-over reconstruction amalgamation liquidation receivership or a change in the nature of its business or constitution.
- 2.8 Where the admission agreement exists under the criteria set out in Schedule 2 Part 3 para 1 (d) (i) relating to organisations that have taken on work on behalf of a scheme employer by means of a contract then employees are only eligible for continued participation of the LGPS where they are "employed in connection with" the contract. "Employed in connection with" shall mean that an Eligible Employee is employed by the Admission Body on the basis that in any six (6) month period an

Eligible Employee spends not less than fifty per cent (50%) of his time whilst working on matters directly relevant to the Contract. For the avoidance of doubt, when assessing the time spent working on matters directly relevant to the Contract the Admission Body should take into account a range of factors including (but not limited to) the time spent on different parts of the business, the value given to each part of the business, the contract of employment and how the costs of that employee are dealt with.

3. ACTUARIAL VALUATIONS

- 3.1 The Administering Authority may periodically and shall at least on a triennial basis obtain from an actuary a certificate specifying in the case of the Admission Body the percentage or amount by which in the actuary's opinion the employer's contribution rate should be increased or reduced. This is with a view to ensuring that as far as is reasonably possible the value of assets of the Fund in respect of current and former eligible employees is neither materially more nor materially less than the anticipated liabilities of the Fund.
- 3.2 Upon termination of this Agreement the Administering Authority must obtain:
 - 3.2.1 an actuarial valuation of the liabilities of the Fund in respect of current and former eligible employees as at the date of termination; and
 - 3.2.2 a revision of any rates and adjustments certificate within the meaning of the Regulations showing the revised contributions due from the Admission Body.

the costs of obtaining the actuarial valuation and certificates (or revisions to them) as required by the Administering Authority in respect of current and former eligible employees (other than the triennial valuation) shall be paid by the Admission Body within 30 calendar days of receipt of written notification of such costs from the Administering Authority.

4. TERMINATION

- 4.1 An Admission Agreement shall terminate at the end of the notice period upon the Administering Authority or the Admission Body giving a minimum of three calendar months notice in writing to terminate the Agreement to the other party or parties to the Agreement.

4.2 The Agreement shall terminate automatically on the earlier of:

- 4.2.1 the date of the expiry or earlier termination of the Contract ; or
- 4.2.2 the date the Admission Body ceases to be an Admission Body for the purposes of the Regulations.

4.3 The Agreement may be terminated by the Administering Authority by notice in writing to the Admission Body taking immediate effect in the event of:

- 4.3.1 the insolvency winding up or liquidation of the Admission Body;
- 4.3.2 any breach by the Admission Body of any of its obligations under this Agreement provided that the Administering Authority shall if the breach is capable of remedy first afford to the Admission Body the opportunity of remedying that breach within such reasonable period as the Administering Authority may specify;
- 4.3.3 the failure by the Admission Body to pay any sums due to the Administering Authority or to the Fund within the periods specified in this Agreement or in the Regulations or in any other case within 30 calendar days of receipt of a written notice from the Administering Authority requiring the Admission Body to do so;
- 4.3.4 the failure by the Admission Body to renew or adjust the level of any bond/indemnity which is required to be in place.

Lancashire County Pension Fund
Discretionary Policy Statement as revised January 2016

The document below contains the discretionary policies of Lancashire County Council, as "Administering Authority" for the Lancashire County Pension Fund, in respect of the Local Government Pension Scheme Regulations:

These discretions are specifically made under the legislation contained within the following legislation:

- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]
- the Local Government Pension Scheme Regulations 1995 (as amended) [prefix S]
- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended) [prefix C]

<u>Discretion</u>	<u>Regulation</u>	<u>Statement</u>
Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or care Quality Commission	R4(2)(b)	See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information Agreement to these admission arrangements will be made on the assumption that the agreement will reflect that the NHS would ultimately act as guarantor.

Whether to agree to an admission agreement with a body applying to be an admission body	R3(5) & RSch 2, Part 3, para 1	<p>See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information</p> <p>Where the admission arrangement is requested as a result of the transfer of services or assets from a Scheme employer or relates to a body that exists as a result of being specifically set up by a local authority/s then these will generally be accepted subject to an acceptable risk assessment and guarantee of security for the fund.</p> <p>Other applications for admission will normally be refused unless exceptional circumstances are identified and again subject to an acceptable risk assessment and guarantee of security for the fund.</p>
<p>Whether to terminate an admission agreement in the event of</p> <ul style="list-style-type: none"> - insolvency, winding up or liquidation of the body - breach by that body of its obligations under the admission agreement - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so 	RSch 2, Part 3, para 9(d)	<p>See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information</p> <p>In the event of insolvency, winding up or liquidation the fund would always terminate agreement</p> <p>A breach by the Admission Body of any of its obligations under the Admission Agreement or the Regulations would also lead to steps to terminate the agreement provided that the Administering Authority shall, if the breach is capable of remedy, first afford to the Admission Body the opportunity of remedying that breach within such reasonable period (being not less than twenty (20) Business Days) as the Administering Authority may specify.</p> <p>In the specific event of an Admission Body failing to pay any sums due to the Administering Authority or to the Fund within the periods specified in the Admission Agreement or in the Regulations or in any other case within thirty (30) calendar days of receipt of a written notice from the Administering Authority requiring the Admission Body to do so, then the agreement would be terminated. Under these circumstances the Administering Authority shall first issue a notice to the Admission Body requiring it to pay such outstanding sums within such reasonable period (being not less than ten (10) Business Days) as the Administering Authority may specify, and may only proceed to terminate the Agreement if the Admission Body fails to pay the requested sums within such specified period.</p> <p>Should the Admission Body fail to procure, renew or adjust the level of the bond, indemnity, or guarantee in accordance with the specific terms set out in the admission agreement then the agreement would be terminated.</p>

Define what is meant by “employed in connection with” in relation to an admission arrangement as a result of the transfer of services or assets from a Scheme employer	RSch 2, Part 3, para 12(a)	See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information “employed in connection with” shall mean that an Eligible Employee is employed by the Admission Body on the basis that in any six (6) month period an Eligible Employee spends not less than fifty per cent (50%) of his time whilst working on matters directly relevant to the Contract. For the avoidance of doubt, when assessing the time spent working on matters directly relevant to the Contract the Admission Body should take into account a range of factors including (but not limited to) the time spent on different parts of the business, the value given to each part of the business, the contract of employment and how the costs of that employee are dealt with.
Whether to set up a separate admission agreement fund	R54(1)	See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information There are no plans to create a separate admission agreement fund
Whether to suspend, for up to 3 years, an employer’s obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	R64(2A)	See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information The Fund's position would be to secure an exit payment at the point there are no active members unless it can be demonstrated that further employees will become active members of the LGPS within a period not exceeding 6 months.
Whether to obtain revision of employer’s contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	R64(4)	See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information

Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	R16(1)	The monthly amount must be more than £10 otherwise payment must be made as a single lump sum payment.
Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC	R16(10)	<p>Where a member elects to pay an APC/SCAPC a medical declaration should also be completed and permission granted for LCPF to obtain further information regarding absence from their employer. Occasionally, the member will be required to attend a medical examination at their own expense.</p> <p>Generally applications will be approved where:</p> <ul style="list-style-type: none"> • The medical practitioner's report confirms that the member is in reasonably good health; • There are exceptional circumstances. <p>Applications will not be granted where:</p> <ul style="list-style-type: none"> • The member refuses to complete the medical declaration form; • The member refuses to attend a medical examination at their own expense when requested by Lancashire County Council in connection with an application to pay an APC/SCAPC; • On receipt of the medical practitioner's report, Lancashire County Council is not satisfied that the member is in reasonably good health. <p>Decisions regarding the above are delegated to the Head of Your Pension Service</p>
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	R17(12)	This should match and be included with current policy concerning discretion to pay death grants. However we only have absolute discretion over who to pay that sum to, provided the AVC contract was taken out on or after 1 April 2014. If the AVC contract was taken out before then, we must pay any AVC lump sum to the estate.
Pension accounts may be kept in such form as is considered appropriate	R22(3)(c)	The LCPF uses the Altair software to maintain member pension accounts in an electronic format.

Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits, from the concurrent employment which has ceased, should be aggregated (where there is more than one ongoing employment)	TP10(9)	<p>Where an active member with concurrent employments ceases an employment with entitlement to a deferred pension, the benefits in the deferred member's pension account must be aggregated with those in the ongoing active member's pension account and, if there is more than one such account, the one chosen by the member, unless—</p> <p>(a) within 12 months of the date the concurrent employment ceased, or</p> <p>(b) such longer time as the Scheme employer in relation to the relevant ongoing active member's pension account permits</p> <p>If the member does not choose an account (where there is more than one active account) then we should amalgamate with the active account yielding the highest benefit accrual at the relevant date.</p>
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement; where a member voluntarily draws before normal pension age and has post 31/3/14 membership; or where a member has applied for early release of deferred benefits and left before 1 April 2014	R30(8) TPSch 2, para 1(2) TP3(1), TPSch 2, para 2(1), B30(5), B30A(3) and B30A(5)*	Although normally an Employer discretion, if the employer has become defunct then the Fund must exercise their discretion. The fund would not normally agree to waive reductions unless exceptional circumstances are identified.
Whether to grant application for early payment of deferred benefits, for a member who left before 1 April 2014, on or after age 55 and before age 60	B30(2)*	Although normally an Employer discretion, if the employer has become defunct then the Fund must exercise their discretion. The Fund would not normally agree to an application for early payment of deferred benefits unless exceptional circumstances are identified

Whether to require any strain on Fund costs to be paid “up front” by employing authority following payment of benefits under (flexible retirement), (redundancy / business efficiency), or the waiver (in whole or in part) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement	R68(2) TP Sch 2, para 2(3) & L80(5)	All pension strain payments are required to be made by the employer as a single lump sum payment unless exceptional circumstances can be identified. This payment is due as close as possible to the event itself and will be collected in accordance with LCC's debt management policy.
Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	R32(7)	On the assumption that the scheme employer has already taken a decision to either let a member retire early or take flexible retirement from a given date, then the Fund will agree to an extension if necessary.
Decide whether to commute small pension	R34(1), B39, L49,L156 &T14(3)	<ul style="list-style-type: none"> • All 'small' pensions will be commuted in accordance with relevant regulations, actuarial guidance and prescribed limits, unless exceptional circumstances apply • Where a child's pension is being commuted and that child is aged 16 or over then the administering authority is required to make a decision on the length of time the child is expected to remain in full time education in assessing the payment due, up to an upper limit of the child's 23rd birthday. In circumstances where the child is in full time education at the time of any commutation payment then this will be calculated on the basis that the child will remain in full time education until 23. • An incapacitated child under the age of 17 in receipt of a pension will not be commuted until they reach the age of 17 in line with the Government Actuary Department's guidance. • Any non-commuted pensions will be paid monthly, unless exceptional circumstances apply • The Head of Your Pension Service will determine whether exceptional circumstances apply, on a case-by-case basis, in respect of both statements above.

<p>Commute benefits due to exceptional ill-health (councillor members, pre 1.4.08. leavers and pre 1.4.08. Pension Credit members)</p>	<p>L50 & L157</p>	<p>Serious ill health commutation is a protected provision only available to members who left on or after 1 April 1998 and before 1 April 2008, active councillor members and councillors who left after 01/04/1998 and Pension credit members still subject to the 1997 regulations.</p> <p>The provision, where applicable, will be offered to members in all cases where medical evidence is satisfactory, but is never enforced. The medical evidence required will take the form of a certificate from a fully registered person within the meaning of the Medical Act 1983 stating that the member's life expectancy is less than one year.</p>
<p>Approve medical advisors used by employers (for ill health benefits)</p>	<p>R36(3),L97(10) & A56(2)</p>	<p>Unless exceptional circumstances are identified IRMP's will always be approved where the qualification criteria set out under the regulations is met.</p>
<p>Decide to whom death grant is paid</p>	<p>TP17(5) to (8), R40(2), R43(2), R46(2), A52(2) B23(2) & B32(2), B35(2),TSch1,L95, L155(4), L38(1), L155(4) & SE8</p>	<p>See Death Grants Policy</p>

Whether to payments due in respect of a deceased person to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	R82(2)	<p>See Death Grants Policy</p> <p>This relates to o/s pension payments as well as death grants which are not paid under TP17(5) to (8) & R40(2), R43(2) & R46(2) – to be included with death grant policy. Anything under £5000 can be paid potentially using a form of indemnity. The death grants under the other discretionary regs. may not be "due" to the personal representatives</p>
Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83 , B27(5) , L47(2) , A52A & SG11(2)	Where in the Fund's opinion a member is unable to manage their own affairs, then having considered the individual circumstances of the particular case they may decide to pay some or all of the benefits to someone else, to be applied for the benefit of the member. In such cases a medical declaration will be required signed by a GP or consultant. However where the annual pension exceeds £3,000 per annum, or otherwise as determined by the Fund, then Lasting Power of Attorney or Deputyship arrangement will be required to be in place.
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	R49(1)(c) & B42(1)(c)	In these circumstances the Fund will choose the provision of benefits that would provide the greater benefits when actuarially valued.

<p>Governance policy must state whether the admin authority delegates their function of part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state</p> <ul style="list-style-type: none"> - the frequency of any committee or sub-committee meetings - the terms, structure and operational procedures appertaining to the delegation - whether representatives of employing authorities or members are included and, if so, whether they have voting rights <p>The policy must also state</p> <ul style="list-style-type: none"> - the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying, and - the terms, structure and operational procedures appertaining to the local Pensions Board 	R55*	<p>See existing policy</p> <p>http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e</p>
<p>Decide on Funding Strategy for inclusion in funding strategy statement</p>	R58*	<p>See existing policy</p> <p>http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e</p>

Whether to have a written pensions administration strategy and, if so, the matters it should include	R59(1) & (2)	See existing policy http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e
Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers.	R61*	See existing policy http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e
Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	R69(1), L81(1) & L12(5)	All employee and employer contributions made to the Fund must be paid on a monthly basis before the 19th of the month following that in which they were deducted.
Decide form and frequency of information to accompany payments to the Fund	R69(4) & L81(5)	Contribution payments must be made by direct debit. Where exceptional circumstances are identified then payment can be made by BACS with an associated £50 plus vat charge per monthly submission. The associated information regarding pensionable pay and contributions deducted should be in the form of a monthly file uploaded through the Fund's "Employer Pension Information Collection" system EPIC. Employers should submit files by 6th of the month following pay period end.

Whether to issue the employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 & TP22(2)	See Pensions Administration Strategy Statement (PASS) http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33912&e=e
Whether to charge interest on payments by employers which are overdue	R71(1) & L82(1)	The Fund may charge interest on a case-by-case basis. Any interest payable would be charged at 1% above base rate.
Decide procedure to be followed by admin authority when exercising its stage two IDRPs functions and decide the manner in which those functions are to be exercised	R76(4), A60(8) & L99	See existing policy http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33912&e=e Procedure is contained within appeals guide.
Whether admin. authority should appeal against employer decision (or lack of a decision)	R79(2), A63(2) & L105(1)	An appeal will be made to the secretary of state in circumstances where it can be demonstrated that the employer has acted outside of the parameters of the LGPS regulations.
Specify information to be supplied by employers to enable admin. authority to discharge its functions	R80(1)(b), TP22(1) & A64(1)(b)	The fund requires Employers to adhere to the Pensions Administration Strategy Statement as well as the guidance provided by the Employers administrative procedures manual contained within the employers area of the Fund's website.
Agree to bulk transfer payment	R98(1)(b)	See separate admissions and termination policy. Your Pension Service - Lancashire Fund Information

Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	R100(6)	<p>This is an Employer and Admin. Authority discretion.</p> <p>The fund will only agree to extend the time limit where the appropriate employer has also agreed to extend the time limit, unless the Fund determines that exceptional circumstances apply, which would deem an extension detrimental to the fund.</p>
Allow transfer of pension rights into the Fund	R100(7)	The Fund will allow these
Where member applies to use pay protection using an average of 3 years pay for final pay purposes or a certificate of protection and dies before making an election, the fund may make that election on behalf of the deceased	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b), TSch 1,L23(9) & B10(2)	Where it appears to the County Council that if the member had made such an election it would have been beneficial in the calculation of death benefits then the County Council as administering authority would make the election on behalf of the member.
Decide to treat child as being in continuous full-time education or vocational training despite a break	RSch 1,TP17(9) & TP17(9) (a)	Consideration needs to be given to each case to identify whether the break is fundamental to the overall qualification, or whether it was a true break. The spirit of the regulation is to permit reinstatement of the pension where the break was part of the overall qualification plan.

Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	RSch 1, TP17(9)(b) & B25	Evidence of financial interdependency or dependency will be required at the time of death and can include confirmation of shared household spending or extra living expenses for the partner on your death. This can be demonstrated in any of the following ways: <ul style="list-style-type: none"> • a joint mortgage or tenancy • a joint bank account • joint savings and investment accounts • a joint credit arrangement • being the beneficiary of a will • being the beneficiary of life assurance • household bills in joint names
Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	TP3(13), A70(1), A71(4)(c), T12, L109 & L110(4)(b)	The Fund does not abate pensions
Extend time period for capitalisation of added years contract when the member has left on the grounds of redundancy.	TP15(1)(c) & TSch1 & L83(5)	An extension for an election to pay a lump sum to capitalise an added years contract will not be permitted beyond the time limit set by the regulations (not later than the expiry of the period of three months beginning on the day after the member leaves employment) unless it can be demonstrated to the satisfaction of the administering authority that the person's delay in giving notice is caused by an error or oversight on the part of the administering or employing authority.
Decide whether to delegate any administering authority functions under the Regulations	R105(2)	At present no functions are delegated. (This position will need to be reviewed after the formal creation of LPP)
Decide whether to establish a joint local pensions board (if approval has been granted by the Secretary of State)	R106(3)	Lancashire County Pension fund have established a Local Pension Board representing the Lancashire fund only.

Decide procedures applicable to the local pensions board	R106(6)	Terms of reference detailed on website http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=46004&e=e
Decide appointment procedures, terms of appointment and membership of local pension board	R107(1)	See above
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	A45(3), R85(3) & L89(3)	Each case will be assessed on an individual basis and an agreed recovery plan for contributions will be introduced which allows for the recovery over the shortest period of time taking account the financial wellbeing of the member. Where a member is near to retirement or exceptional circumstances are identified then the outstanding contributions will be deducted from benefits when they are due.
Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31.3.98. / pre 1.4.08. leavers)	L47(1) & SG11 (1)	To comply with the wording of the current LGPS regulations benefits would be payable in equal shares to eligible children.
Timing of pension increase payments by employers to fund (pre 1.4.08. leavers)	L91(6)	Pensions increase is now a funded payment however some historical payments of PI are still recharged. The normal position is for monthly payments to be made, however there are exceptional cases where the fund allows for payments to be made either quarterly or annually.
Whether to pay spouses pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98. (rather than ceasing during any period of remarriage or co-habitation)	SF7	The fund will continue to pay spouses benefits that are in payment for life, rather than cease the benefits should the spouse subsequently remarry or co-habit.
Agree to pay annual compensation on behalf of employer and recharge payments to employer	C31(2)	Payments will be recharged to employers monthly on a direct debit basis. Historically some exceptional cases are still recovered on a quarterly, 6 monthly or annual basis.

***These are matters about which the regulations require there must be a written policy.**

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected: None;

Membership of the Lancashire Local Pension Board

(Appendix 'A' refers)

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, mike.neville@lancashire.gov.uk

Executive Summary

This report relates to the processes for identifying and appointing replacement Employer and Deferred member representatives to fill the existing two vacancies on the Lancashire Local Pension Board.

Recommendation

The Board is asked to

1. Note the process for appointing an Employer representative for Lancashire County Council as set out in the report.
2. Agree a process for the appointment of a Deferred Member representative.

Background and Advice

A copy of the current Terms of Reference for the Board, as approved by the full County Council in October 2017, are set out at Appendix 'A'.

The Terms of Reference state that the Board shall consist of 9 members, on the basis of 4 employer representatives, 4 scheme member representatives and a single independent member.

There are currently two vacancies on the Board. The first is for an employer representative from Lancashire County Council as Mr S Browne has retired since the last meeting of the Board. The second vacancy is for a scheme member representative for Deferred Members following the resignation of Mr J Hall, as reported to the Board in October 2017.

Appointment of a new employer representative from Lancashire County Council.

Category 2a i) in the Terms of Reference state that the employer representative will be nominated by Lancashire County Council, where the councillors or officers meet

the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority;

Due to recent changes to the senior management structure at the County Council, and the imminent arrival of a new interim Chief Executive it has not been possible to identify a suitable senior officer to fill the vacancy. However, it is anticipated that it will be possible to identify a suitable candidate early in the New Year with a view to their appointment to the Board being presented to the full County Council in February 2018 for approval.

Appointment of a new scheme representative drawn from deferred members of the Lancashire County Pension Fund.

The Terms of Reference state that the representative drawn from Deferred Members (Category 2b iii) shall only be appointed after all employers or members of the Fund in those categories have been invited to put forward nominations. Where there is more than one nomination in any category then any nominee who meets the relevant knowledge and skills requirement will be included on a ballot of all members or employers in the relevant category. The winner in such a ballot will be the candidate with the greatest number of votes under the "first past the post" method.

Both of the appointments specified above will be subject to a maximum term of 8 years, subject to the employer ceasing to be employed by the employing authority or the scheme member ceasing to be a deferred member.

The process for appointing Employer and Member representatives.

The Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales states that the methodology for appointing employer and member representatives is not prescribed by the Regulations. Therefore, it will be for individual Administering Authorities to establish an appropriate process. Options may include (but are not limited to):

Direct Appointment Process

- a) Selecting employer representatives through existing employer forums, for example nominations and voting at employer AGMs.
- b) Selecting member representatives through existing representative organisations for example recognised trade unions, staff committees, member representative committees, pensioner organisations or nominations and voting at member AGMs (this could include active, deferred and pensioner members of the scheme).

Two Stage Nomination and Selection Process

- a) Administering authorities may wish to consider methodologies used by private sector trust based schemes to appoint member-nominated trustees ("MNTs"). MNTs must be:

- nominated as the result of a process which includes at least all the active and pensioner members of the scheme (or an organisation which adequately represents them); and
 - selected as a result of a process which involves some or all of the members of the scheme.
- b) Seeking nominations by advertising in local newspapers and on websites (including employer and member representative bodies' websites).
- c) Encouraging partner organisations or admission bodies to nominate members.

When selecting members, proper regard must be given to the obligations of the Administering Authority with regard to equal opportunities in any recruitment process. In practice, this means having an open and transparent process, with a role specification.

Depending on the appointment process used by the Administering Authority, it may also be necessary to have a formal interview process before appointments are made (if for example more nominations are received than available places on the Board). The interview process should assess the ability of the individual to meet the requirements of the role and make appointment on merit.

Once the nominated representative for Deferred Members has been identified they will need to be formally appointed to the Board by the full County Council.

The process used last time

The Lancashire Local Pension Board carried out a ballot process for the recruitment of all three types of pensioner representatives. This process was both time consuming and extremely costly due to having to ballot over 115 thousand members, consisting of 56K active, 46k pensioner and 65k deferred respectively.

Despite sending ballot papers to all 115k of eligible members only 10k (9%) were returned.

Options

1. No change – carry out another ballot for the current vacancies. LPP have advised that a similar process would cost approximately £50k primarily due to the mailing costs;
2. Adopt either a 'direct appointment' or a 'two staged nomination and selection' process. Either of these would be much more cost effective compared to a ballot process;
3. Review the current membership of the Board all together. Potential options here would be:
 - a) Reduced Membership;

- b) Generic pensioner representatives rather than the current active, deferred and pensioner.

Consultations

The Head of Fund and the Governance & Risk Officer for the Lancashire County Pension Fund and the Head of Member Services at LPP.

Implications:

This item has the following implications, as indicated:

Risk management

In accordance with section 5(4) (c)6 of the Public Service Pensions Act 2013 the Pension Board is required to include employer representatives and member representatives in equal numbers, thus ensuring that it can undertake its role in assisting the Administering Authority with the governance and administration of the LCPF.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
The Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales	February 2015	M Neville 01772 533431
Reason for inclusion in Part II, if appropriate		
N/A		

Lancashire Local Pension Board

Terms of Reference

1. Role and remit of the Board.

- a) To assist Lancashire County Council as Administering Authority in its role as Scheme Manager:
 - i. to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
 - ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - iii. in such other matters as the LGPS regulations may specify
- b) To ensure the effective and efficient governance and administration of the LGPS for the Lancashire County Pension Fund.
- c) To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
- d) To review and scrutinise governance processes and procedures to ensure that the Lancashire County Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- e) To meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.
- f) To review the key policy documents to ensure they are fit for purpose.
- g) The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails. This role involves but is not limited to oversight and comment on:
 - i Assist with the development of improved customer services
 - ii monitor performance of administration, governance and investments against key performance targets and indicators.
 - iii Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority
 - iv Monitor investment costs including custodian and transaction costs.
 - v Monitor internal and external audit reports.

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Owner – Chris Mather)**

- vi Review the Risk Register as it relates to the scheme manager function of the Authority.
- vii Assist with the development of improved management, administration and governance structures and policies.
- viii Review the outcome of actuarial reporting and valuations.
- ix Assist in the development and monitoring of process improvements on request of Committee.
- x Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
- xi Any other area within the core function (ie. Ensuring effective and efficient governance of the Scheme) the Board deems appropriate.
- h) To review the outcome of internal and external audit reports in relation to the Fund.
- i) To make such recommendations to the Pension Fund Committee and/or Full Council as it considers appropriate in relation to any matter that the Board considers may improve the performance of the Fund
- j) To submit in March each year a proposed annual work plan to the Pension Fund Committee for the forthcoming financial year
- k) To carry out any activities relating to the efficient governance and administration of the Fund which the Pension Fund Committee or Full Council may request the Board to undertake

2. Membership and Appointment Process

The Pension Board shall consist of 9 members and be constituted as follows:

- a) 4 employer representatives, of whom:
 - i. 2 shall be nominated by Lancashire County Council, where these are councillors or officers they shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority;
 - ii. 1 shall be nominated by the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Lancashire County Pension Fund; and
 - iii. 1 shall be nominated by all other employers within the Fund.

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- b) 4 scheme member representatives of whom:
 - i. 2 shall represent and be drawn from active members of the Lancashire County Pension Fund;
 - ii. 1 shall represent and be drawn from pensioner members of the Lancashire County Pension Fund; and
 - iii. 1 shall represent and be drawn from deferred members of the Lancashire County Pension Fund.
- c) 1 independent member selected by the Scheme Manager, who shall not be a member of the Lancashire County Pension Fund and who shall be appointed as Chair of the Board. Such appointment will only be made following an openly advertised competition for the role.

Members in all categories will only be appointed to the Board by the Scheme Manager if they meet the skill and knowledge requirements set out in the relevant regulations and guidance, and as set out in Section 7 below.

Members of the Board in categories a) iii., and b) i., ii., and iii., shall only be appointed after all employers or members of the Fund in those categories have been invited to put forward nominations. Where there is more than one nomination in any category then any nominee who meets the relevant knowledge and skills requirement will be included on a ballot of all members or employers in the relevant category. The winner in such a ballot will be the candidate with the greatest number of votes under the "first past the post" method.

Members of the Board will serve for a maximum of 8 years. Other than as a result of retirement at the expiry of this period the term of office will come to an end:

- a. For employer representatives who are councillors if they cease to hold office as a councillor or they are removed and replaced by a resolution of the Full Council;
- b. For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;
- c. For scheme member representatives if they cease to be a member of the relevant member group.

Each Board member should endeavour to attend all Board meetings during the year and is expected to attend all meetings. Given the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

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Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

3. Quorum

The Board shall not be quorate unless the Chair and at least 2 employer representatives and 2 scheme member representatives are present.

4. Code of Conduct and Conflict of Interests Policy for Board Members, Officers and Advisors

The role of Pension Board members requires the highest standards of conduct and therefore the “seven principles of public life” will be applied to all Pension Board members and embodied in their code of conduct.

The Code of Conduct and the Board's policy in relation to conflict of interests is attached as Annex 'A'.

5. Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

6. Advisers to the Board

The Board may be supported in its role and responsibilities through the appointment of advisers, in addition to the Scheme Manager's officers and the Fund's various advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties.

The Board shall ensure that the performance of the advisers so appointed is reviewed on a regular basis.

7. Knowledge and Skills

A member of the Pension Board must be conversant with:

- a) The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- b) Any document recording policy about the administration of the LGPS which is for the time being adopted by the Lancashire County Pension Fund.

A member of the Pension Board must have knowledge and understanding of:

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- a) The law relating to pensions, and
- b) Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

Pension Board members will comply with the Scheme Manager's training policy.

8. Board Meetings – Notice Minutes and Reporting

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board, and shall ensure that all papers are published on the Lancashire County Pension Fund Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Subsequent to each meeting the Chair will be asked to approve the minutes for publication as a draft and circulation to all members of the Board.

The Pension Board shall produce an Annual Report on both the nature and effect of its activities for consideration by the Administering Authority. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:

- a) Details of the attendance of members of the Board at meetings;
- b) Details of the training and development activities provided for members of the Board and attendance at such activities;
- c) Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
- d) Details of the costs incurred in the operation of the Board.

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The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

9. Decision making

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not have a final deciding vote.

10. Publication of Pension Board information

Scheme members and other interested parties will want to know that the Lancashire County Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the Lancashire County Pension Fund website showing

- The names, contact details and other relevant information about the Pension Board members;
- How the scheme members are represented on the Pension Board
- The responsibilities of the Pension Board as a whole;
- The full terms of reference and policies of the Pension Board and how they operate;
- Details of the Pension Board appointment process;
- Any specific roles and responsibilities of individual Pension Board members.

The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

11. Accountability

The Pension Board will be collectively and individually accountable to the Scheme Manager.

12. Expense Reimbursement and Remuneration

All members of the Board shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have actually and necessarily incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.

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Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by HM Revenues and Customs from time to time as adopted by Lancashire County Council.

Where members of the Board are in employment their employer will be able to reclaim from the Lancashire County Pension Fund a sum equivalent to salary, employers' national insurance contributions and employers' pension contributions, in respect of time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities.

The Chair of the Board shall receive a fixed annual allowance set initially (2015) at £10,000 pa (in addition to travel and subsistence expenses) to be inflated in April each year by the Retail Price Index for the previous September.

13. Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy [document](#).

14. Definitions

The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board"	Means the local Pension Board for the Lancashire County Council as administering authority for the Lancashire County Pension Fund as required under the Public Service Pensions Act 2013
"Scheme Manager"	Means the Pension Fund Committee as administering authority of the Lancashire County Pension Fund.
"Chair"	The individual responsible for chairing meetings of the Board and guiding its debates.
"LGPS"	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
"Scheme"	Means the Local Government Pension Scheme as defined under "LGPS"

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Owner – Chris Mather)**

Lancashire Local Pension Board Code of Conduct and Conflict of Interests Policy for Members, Officers and Advisors

You are a member of the Lancashire Local Pension Board and hence you shall have regard to the following principles - selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Officers are subject to the County Council's Code of Conduct for Employees and are only required to submit a completed Notification of Interests (Annex 2) where that conflict of interest is not covered in the County Council's Code of Conduct for Employees. Officers should make any declarations, such as receipt of any gift or hospitality in excess of £25, under the County Council's Code of Conduct for Employees.

Accordingly, when acting in your capacity as a member, officer or advisor:

- You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.
- You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties you must make all choices on merit.

- You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.
- You must be as open as possible about your decisions and actions and the decisions and actions of the Board and should be prepared to give reasons for those decisions and actions.
- You must declare any disclosable financial or non-financial interests that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with procedures set out below.
- You must always treat people with respect, including the organisations and public you engage with and those you work alongside.
- You must behave in accordance with all legal obligations, alongside any requirements contained within this Board's policies, protocols and procedures, including the Conflicts of Interests Policy at Appendix A.

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- You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.
- You must take account of relevant advice from professional officers and advisors, taking all relevant information into consideration, remaining objective and making decisions on merit.

You should:

- Notify the Monitoring Officer of any disclosable pecuniary interest within 28 days of appointment;
- Disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- Notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting;
- Not participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest;
- Not, knowingly or recklessly, provide information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

Failure to comply with the above would constitute a breach of the Code of Conduct. Members should be aware that in certain circumstances a serious breach of the Code of Conduct could be deemed to be a criminal offence.

The County Council's Monitoring Officer is:

The Director of Governance, Finance and Public Services
Christ Church Precinct, County Hall
Preston
Lancashire
PR1 8XJ

Tel: 01772 533386

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Owner – Chris Mather)**

Lancashire Local Pension Board

Conflict of Interests Policy

Introduction

This document outlines the approach for ensuring the Lancashire Local Pension Board is fully compliant with legislative requirements for identifying, monitoring and managing potential conflicts of interest so as to ensure that no actual conflicts of interest arise.

This policy applies to members of the Pension Board and to all officers and advisors supporting the operation of the Pension Board. References to Board Members also apply to advisors and, where appropriate, to officers, where an interest is not covered by the County Council's Code of Conduct for Employees.

The policy sets out the procedures to be followed and the checks and measures in operation to ensure the business of the Board and any decisions or actions taken by it are open, transparent and compliant.

Managing Potential Conflicts of Interest - Legislative Requirements on Pension Boards

Under section 5 (para 4) of the Public Service Pension Act 2013 it is a requirement for the regulations governing public sector pension schemes to include provisions ensuring Board Members do not have conflicts of interest. The Local Government Pension Scheme Regulations 2013 fulfil this requirement within Part 3 - Governance as follows:

LGPS Regulations 2013

Regulation 108: Local Pension Boards: Conflicts of Interest

- (1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.
- (2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.
- (3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).
- (4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes.

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Pension Regulator Code of Practice on Conflicts of Interest

The Public Service Pensions Act 2013 extended the regulatory oversight of the Pensions Regulator (tPR) to include public sector schemes and added new provisions into the Pensions Act 2004 requiring tPR to issue a code of practice on the governance of public service pension schemes including conflicts of interest for Pension Boards.

Complying with these new requirements (Section 90A to the Pensions Act 2004) tPR issued Code of Practice no.14 (Governance and Administration of Public Service Pension Schemes) in January 2015. This Conflicts of Interest Policy has been developed having regard to the details of the code which interprets legal requirements and offers practical guidance to Administering Authorities on meeting the terms of LGPS Regulation 108 (above).

This Conflicts of Interest Policy for the Pension Board of the Lancashire County Pension Fund sets out procedures to be followed by individuals in their capacity as Board Members and as officers or advisors supporting the operation of the Lancashire Local Pension Board. In addition, individuals must also comply with all requirements placed on them by codes of conduct and other policies connected with their wider roles and responsibilities, whether as elected members, officers, salaried officials or advisors (e.g. by the County Council's Code of Conduct, and the Protocol for County Councillor/Officer Relations and their equivalents within other employer organisations).

This policy encourages the consideration of interests in their broadest sense, an approach which reinforces the expectation that Board Members, officers and advisors will maintain the highest standards of conduct in adherence with the seven principles of public life.

These principles are:

1. Selflessness
2. Integrity
3. Objectivity
4. Accountability
5. Openness
6. Honesty
7. Leadership

Conflict of Interests General

The prevention of actual conflicts of interest is reliant on the effective management of potential conflicts of interest. This entails Pension Board Members (and the officers and advisors supporting them) having a clear understanding of what a potential conflict of interest is and what they must do to ensure that no actual conflict arises.

The potential for a conflict of interest exists whenever there are underlying personal interests capable of compromising an individual's ability to act with objectivity. An

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interest is a personal stake or a perceived obligation (to a person, group or organisation) which is likely to prejudice an individual in the course of fulfilling the responsibilities of their role. Interests can be both financial and non-financial. Financial interests include current or prospective assets or investments, plus influences from an employment, trade, profession or contract. Non-financial interests can be many and varied but will include specific memberships or affiliations which compromise the individual's ability to think or act without bias when acting in their official capacity.

It is inevitable that Pension Board Members will have interests. Where these will potentially prejudice the exercise of functions as a member of the Pension Board by directly impacting on Board business (or will have the appearance of doing so) it is essential they are known about and managed effectively in order to protect the impartiality and standing of the Board and ensure the transparency of its operation and outcomes.

A potential conflict of interest will arise when an individual has a responsibility or duty connected to their membership of the Pension Board whilst at the same time having:

- a separate personal interest (financial or otherwise);
- a responsibility by virtue of another role or position they hold;
- a close colleague or family member with a specific responsibility or a direct interest in a particular aspect of Pension Board business.

A member of the Board does not have a financial or other interest arising merely by virtue of membership of the Local Government Pension Scheme or any connected scheme, or by membership of another local authority.

Sensitive interests

Where you consider that disclosure of the details of an interest could lead to you, or a person connected with you, being subject to violence or intimidation, and the County Council's Monitoring Officer agrees, if the interest is entered on the register, copies of the register that are made available for inspection and any published version of the register will exclude details of the interest, but may state that you have an interest, the details of which are withheld.

Under this policy, the effective management of all potential conflicts of interest will be achieved through consistent compliance with 6 clear steps:

1. identifying interests
2. disclosing interests
3. maintaining an up to date register of interests
4. declaring potential conflicts
5. managing potential conflicts
6. recording and reviewing the management actions taken

Identifying Interests

**(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)**

The existence of any interest fundamentally incompatible with fulfilling the role and statutory responsibilities of a Pension Board Member will be identified as part of the appointment process and will ultimately prevent an individual from being appointed to the Board.

Following their appointment to the Pension Board, all Board Members are required to identify any interests held directly by themselves or by close family or contacts which have the potential to lead to a conflict of interest.

This identification of interests involves detailed reflection on the role and specific responsibilities of the Pension Board and its members which are as set out in the Terms of Reference for the Pension Board.

Examples of the most common interests and the scenarios in which they may cause a conflict to arise are included at **Annex 1**.

Disclosing Interests

Board Members are required to complete and submit an interim disclosure form in advance of attending their first Pension Board meeting.

Thereafter Board Members will be required to disclose all financial and non financial interests including the receipt of any gift or hospitality (received or declined) in excess of £25 via the completion and submission of the form at **Annex 2**. A definition of financial and non-financial interests is set out at **Annex 3**.

Where no relevant interests are identified by a Board Member, they must submit a nil return to evidence that they have complied with the requirement to identify and disclose all relevant interests. Officers, in line with the County Council's Code of Conduct for Employees, are not required to submit a nil return

It is the responsibility of each Board Member to regularly consider and review their relevant interests and to submit a further disclosure form within 28 days of becoming aware of any changes to an interest previously disclosed or of any new interest not previously disclosed.

All Board Members must review their interests and submit an updated disclosure annually. For Board Members with no relevant interests this will involve the submission of a new nil return. Making an updated return on each anniversary of their appointment to the Board will assist Lancashire County Council (as the administering authority) to fulfil the requirement to be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

Completed disclosure forms must be submitted to the Head of Legal and Democratic Services at the address below who will review the completeness of the disclosure form and confirm it has been signed and dated by the appropriate Board Member before the details are input onto the register.

**(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)**

The Head of Legal and Democratic Services
Christ Church Precinct, County Hall
Preston
Lancashire
PR1 8XJ Tel: 01772 534676

Maintaining an up to date Register of Interests

An up to date register of the interests disclosed by Pension Board Members, will be maintained by the Head of Legal and Democratic Services.

The register of interests will be held electronically with details from new declaration forms input in a timely manner.

The register will be maintained so as to provide an accurate and up to date record of all details disclosed by individual Pension Board Members, advisors and officers and the date on which their disclosures were made.

Information held in the register will form the basis of an annual review of member interests by the Pension Board.

Each review will:

- encourage a thorough reflection on relevant interests disclosed by Board Members;
- allow a comparison of the range of interests being identified by individual Board Members and support interests being universally and consistently understood;
- confirm that, during the prior period, an appropriate declaration was made on every occasion where a registered interest had (or appeared to have) the potential to impact an item of business;
- examine the effectiveness of the management approach to potential conflicts of interest;
- confirm the accuracy and completeness of record keeping in order to identify weaknesses or learning points requiring action.

A copy of the register will be available for public inspection and will be published on the County Council's website.

Declaring Potential Conflicts

Pension Board Members are personally responsible for identifying potential conflicts of interest. They must routinely review the work plan, agenda and papers of the Board in advance in order to identify any matters in which they have an interest.

Where a Board Member is aware of an interest with the potential (or appearance of having the potential) to cause a conflict they should declare this in advance of the

**(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)**

meeting taking place by providing details to the Head of Legal and Democratic Services who will inform the Chair of the Board.

The Local Pension Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Fund. For this reason officers and advisers giving advice to the Local Pension Board must declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed. Declarations should be made in advance to the Head of Legal and Democratic Services who will inform the Chair of the Board.

Declaring an interest in advance provides the opportunity for adequate reflection on the most appropriate approach to managing a potential conflict, it also encourages open discussion and ensures a fully transparent approach.

All meetings of the Local Pension Board will commence with a standing agenda item which facilitates the declaration (and where necessary the disclosure and declaration) of all relevant interests.

Where it becomes apparent during the course of a meeting that an undisclosed interest held by a Board Member, officer or advisor is relevant and creates the potential (or appears to create the potential) for a conflict, this interest must be immediately drawn to the attention of the Board Chair who will determine the appropriate course of action to manage this situation.

Managing Potential Conflicts

Potential conflicts of interest will arise as a result of a variety of interests and scenarios and they fall to be managed on a case by case basis in the manner most suited to ensuring that:

- no actual conflict will arise;
- where there is the appearance of a potential conflict this is acknowledged and addressed openly;
- adequate attention is given to recording the basis for judging a declared interest to be immaterial.

The Board must determine the appropriate mechanism for managing each potential conflict. Approaches to managing potential conflicts of interest will include:

- the member for whom the potential conflict exists taking no part in discussions or voting on the matter creating the conflict;
- the member relinquishing or divesting themselves of a personal interest which is the source of a conflict of interest with their Pension Board responsibilities (where practical);
- a member considering resignation from their position if the conflict is likely to be so persistent as to limit meaningful participation in the Pension Board;

**(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)**

- The Scheme Manager removing the individual from the Pension Board where they consider the potential conflict is impractical to manage.

Recording the Management Approach

Details of the specific approach taken to manage potential conflicts of interest will be documented and reported upon as part of the routine business of the Board.

As an integral part of the minute taking which formally records the conduct and outcomes of Pension Board meetings, responsibility for recording and reporting on the existence of potential conflicts of interest and the management approach to preventing an actual conflict from arising rests with the Head of Legal and Democratic Services.

Wherever a relevant interest is declared, the minutes of Board meetings will record this and give details of how the potential conflict of interest was managed to prevent an actual conflict from arising.

Compliance with the approach and procedures set out within this Conflict of Interests Policy is a requirement under the Terms of Reference for the Pension Board and the Code of Conduct for Members of the Pension Board of the Lancashire County Pension Fund.

Examples of Interests Creating Potential Conflicts

The following examples of potential conflicts of interest are provided for illustrative purposes. References to Board Members also apply to advisors and, where appropriate, to officers, where an interest is not covered by the County Council's Code of Conduct for Employees.

Circumstances where the Pension Fund invests in opportunities relating to functions undertaken by the County Council, e.g. care home provision, and where there would be a direct benefit on the County Council, would not in itself give rise to a conflict of interest.

Members of the Pension Board may be officers of the administering authority or another employer organisation within the Fund and will potentially face conflicting priorities by virtue of these two roles.

Example 1

Pension Board Members may be required to make or scrutinise a decision which will commit the Fund to injecting additional resources into improving administration and efficiency which will involve greater costs falling on employer organisations. Simultaneously, they may face pressure from their employing organisation to challenge existing budgets and to reduce expenditure on pension administration matters.

Example 2

The Local Pension Board might review a decision by the Pension Fund Committee to levy an additional charge (under the Regulations) on a group of employers whose poor performance in carrying out their statutory functions in respect of the Local Government Pension Scheme has caused the Administering Authority additional costs. Any Board Member employed by one of the affected employer organisations would need to declare their interest in order for a potential conflict to be identified and managed so as to prevent any actual conflict of interests from arising.

A Board Member might be employed by (or have some other relevant connection with) a firm providing administrative or other services to the Fund.

Example 3

Where the Board is due to discuss or monitor the performance of a supplier of administrative or other services in which a Board Member has an interest they will face a potential conflict of interests. The Board Member will need to declare their interest in order for a potential conflict to be identified and managed so as to prevent any actual conflict of interests from arising.

A Board Member may have financial or other interests which give the appearance of a conflict but which, by virtue of their nature or scale, are not ultimately material to the issue under consideration by the Board.

**(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)**

Example 4

A Board Member holds shares in a company that provides services to the Fund. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The Pension Board is reviewing the performance of the provider and a decision to extend the value and term of the contract.

In this case the Board may consider that on grounds of materiality, no conflict of interest exists. The Local Pension Board is not responsible for the decision to award the contract and the impact of the contract extension will have no effect on the company's share price. The Board Member in question should, however, still declare their interest and the minutes of the meeting should record the decision that the Board judged the interest insufficiently material to require the member to be excluded from discussing or voting on the item of business.

Lancashire Local Pension Board

Code of Conduct for Members, Officers and Advisors

Notification of Disclosable Financial and Non-Interests

I

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(insert title e.g. Mr or Mrs, and first name/surname)

as a member of Lancashire Local Pension Board have set out below the financial interests (sections 1 to 7) and the non-financial interests (sections 8 and 9) which I am required to disclose under the Code of Conduct for Board members and I have put "none" where I have no such interests under any heading

"Financial interest" means an interest which is my interest, or the interests of a close colleague or family member and I am aware that the other person has the interest. (NB. These people are referred to below as "the relevant person")

Financial Interests (see guidance notes at Annex 3)

1. Any employment, office, trade, profession, or vocation carried on for profit or gain:

<i>Desc Description of your employment</i>	<i>Detail Details</i>

2. Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the Lancashire County Pension Fund: (a) under which goods or services are to be provided or works are to be executed and (b) which has not been fully discharged:

<i>Description of Contract</i>

3. Any beneficial interest in land:

<i>Address/description of land</i>	<i>Nature of Interest in land</i>

(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)

4. Any licence (alone or jointly with others) to occupy land for a month or longer:

<i>Address/description of land</i>	<i>Nature of Interest in land</i>

5. Any tenancy where (to my knowledge): (a) the landlord is the Lancashire County Pension Fund; and (b) the tenant is a body in which the relevant person has a beneficial interest:

<i>Address/description of land</i>	<i>Nature of Interest in land</i>

6. Any beneficial interest in securities of a body where: (a) that body (to my knowledge) has a place of business or land associated with the Lancashire County Pension Fund; and (b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class:

<i>Name of Body</i>

Non-Financial Interests (see guidance notes at Annex 3)

7. Any position of general control or management, or membership of any body:

<i>Name of Body</i>	<i>Details</i>

8. Any gift or hospitality received or declined which is in excess of £25 in value:

<i>Details of Gift or Hospitality received or declined including date</i>	<i>Name and Address of Donor</i>

Signed

Date

(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)

Definitions

Financial Interests

Financial interest means an interest of a description specified below that is your interest, or the interest of a close colleague or family member and you are aware that that other person has the interest.

Interest	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member. This includes any payment or financial benefit from a trade union within the meaning of the <u>Trade Union and Labour Relations (Consolidation) Act 1992</u> .
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the Lancashire County Pension Fund: (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the Lancashire County Pension Fund.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Lancashire County Pension Fund for a month or longer.
Corporate Tenancies	Any tenancy where (to the individual's knowledge): (a) the landlord is the Lancashire County Pension Fund; and (b) the tenant is a body in which the relevant person has a beneficial interest.

(Last updated and approved by Full Council, 26 October 2017
Owner – Chris Mather)

Securities	<p>Any beneficial interest in securities of a body where:</p> <p>(a) that body (to the individual's knowledge) has a place of business or land in the area of the Lancashire County Pension Fund; and</p> <p>(b) either:</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class</p>
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Non-Financial Interests

Disclosable non-financial interest means an interest of a description specified below which is your interest, a close colleague or family member and you are aware that that other person has the interest.

Interest	Description
Outside Bodies	Any position of general control or management, or membership of any body, except where you have been nominated to that body by the Board or where you are an elected Member of a local authority.
Gifts and Hospitality	Any person or body from whom you have received a gift or hospitality with an estimated value above £25 (see below)

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected:
None;

Lancashire Local Pension Board – Work Plan 2018/19

Contact for further information: Abigail Leech, (01772) 530808, Head of Fund,
Lancashire County Pension Fund Abigail.leech@lancashire.gov.uk

Executive Summary

This report sets out the proposed work plan for the Lancashire Local Pension Board for 2018/19.

Recommendation

The Board are asked to agree the proposed 2018/19 work plan as set out at Appendix 'A'.

Background and Advice

The proposed 2018/19 work plan set out at Appendix 'A' details the timing and frequency of activity to be undertaken by the Lancashire Local Pension Board and has been designed to ensure all the responsibilities set out in the Board's Terms of Reference can be met.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Pension Board is required under regulations to secure compliance and ensure the effective, efficient governance and administration of the Fund.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A		
Reason for inclusion in Part II, if appropriate		
N/A		

Lancashire Local Pensions Board - Work programme 2018/19

Meeting Date				
16-Jan-18	24-Apr-18	03-Jul-18	16-Oct-18	Jan-19

Introductory Matters
Welcome/Apologies, Disclosure of interests, Minutes of Previous Meeting, Urgent business, date of next business, exclusion of press and public
Chair's report on the appraisal of the Pension Board and terms of reference
Work Plan review 2017 workplan create 2018
Progress on workplan
Feedback from Board members on attendance at training events and conferences
Annual Review of Member Training Records
Reports considered by the recent Pension Fund Committee
Governance Structure
LPP Administration Transformation Plan
Review of induction pack for new Board members

Y	Y	Y	Y	Y
Y				Y
Y				
	Y	Y	Y	Y
Y	Y	Y	Y	Y
Y				Y
Y	Y	Y	Y	Y
Y				Y
	Y		Y	
Y				

Key Policy Documents
Terms of reference for Board (Annual Review)
Termination Policy (Annual Review)
Governance Policy Statement (Annual Review)
Pensions Administration Strategy Statement (Annual Review)
Investment Strategy Statement – consideration of investment on non financial grounds
Administration Performance Report (Annual Review)
UK Stewardship Code Compliance (Annual Review)
Policies update to go to PF Dec 2018
Regulatory changes update
Review RI policy WG recommendation
Review of scheme risk register (bi-annual)
Consider PWC's Risk Assurance Map and LPP internal report
High level scrutiny of LPP (annual review)

Y				Y
		Y		
		Y		
	Y			
	Y			
		Y		
		Y		
				Y
Y		Y		
Y				
	Y		Y	
Y				
	Y			

Performance
Monitoring of KPIs for administration, complaints, governance and investments
Pension Fund Administration Service Quality of Service Report
Data quality

Y	Y	Y	Y	Y
		Y		
		Y		

Financial Monitoring
Annual monitoring of investment costs including custodian and transaction costs
Review and approve the pension fund budget with particular regard to the following areas:
a)Cost savings
b)Productivity gain
c)Risk reduction
d)Service improvement
e)Performance
Breaches reported to Pension Fund Committee since last meeting
Contributions monitoring

			Y	
	Y			
	Y			
	Y			
	Y			
	Y			
Y	Y	Y	Y	Y
			Y	

Communications and updates to employers and members
Scrutiny of all annual documents and processes including communications to employers and members, to include:
Formal reports and internal/external reports
Assistance with communication to employers and members as arising out of regulations and current issues.
Compliance of employers with their statutory duty under the Scheme.
Results of regulator survey
Review of the board effectiveness
Review of :
a)compliance with COP14.
b)fraud control within the LCPF
c)the current Discretions Policy for the LCPF

Y	Y	Y	Y	Y
Y	Y	Y	Y	Y
			Y	
			Y	
			Y	
Y				
Y				
Y				

Advance Work Plan - Triennial review
Funding Strategy Statement
Actuarial Report
Communications Policy Statement
Monitor employer and administrating authority discretions
Actuarial Valuation
Investment Strategy Statement
Pensions Administration Statement

2019/20	2020/21	2021/22	2022/23	Beyond
Y			Y	
Y			Y	
	Y			2023/24
Y			Y	
Y			Y	
	Y			2023/24

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund – Regulatory Update

Contact for further information:

Colin Smith, 01772 534826, Technical Advisor, Colin.Smith@lancashire.gov.uk

Executive Summary

This report provides an update on regulations to assist members of the Pension Board to exercise their role effectively.

Recommendation

The Board is asked to note the contents of this update.

Background and Advice

Regulatory Update

1 Exit payment reform update

Although not implemented it is still expected that consultations regarding the 3 separate exit payment reforms set out below will be received. In respect of the exit payment cap and exit recovery a consultation on draft regulations is imminent from HM Treasury. For the third part of the Government's programme of public sector exit payment reforms, a DCLG consultation is still awaited.

a. Exit payment recovery

The draft regulations issued under the Small Business, Enterprise and Employment Act 2015 proposed that where an individual with a salary of £80,000 or more leaves a public sector employment and returns to work in the public sector within 12 months, they will be required to pay back some or all of the exit payments (including strain cost) received.

For the recovery regulations to apply the individual must have both left and become re-employed in relevant public service employments on or after the effective date of the recovery regulations (i.e. the regulations will not be retrospectively applied).

b. Exit Cap

Where an individual leaves a public sector employment, the total exit payments that their employer can make in respect of that exit will be capped at £95k. This cap includes the strain cost payable in respect of an LGPS pension coming into payment early. HM Treasury are also expected to publish guidance on the circumstances when the cap can be waived. These circumstances will be prescriptive and set out the specific situations in which the Treasury think it would be acceptable to waive the cap.

Discussion with regard to how the 'strain on fund' cost would be calculated for the purposes of the exit payment cap are ongoing, but it is expected that this will be on a standardised basis.

c. Exit payments further reform

This looks at the overall severance packages payable from public sector bodies. Subject to the Government proceeding with its plans in this area, we expect DCLG to publish a consultation on the proposed package for local government. No further details as to the content are available at this time but we expect it to potentially cover areas such as:-

- Setting the maximum tariff for calculating exit payments at three weeks' pay per year of service
- Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months.
- Setting a maximum salary for the calculation of exit payments
- Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age
- Reducing the cost of employer-funded pension top up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them, and / or increasing the minimum age at which an employee is able to receive an employer funded pension top up

2 Assistant Coroners and eligibility for LGPS

A recent Counsel's view on the eligibility of assistant coroners for membership of the LGPS in England and Wales has concluded that assistant coroners are eligible for membership of the scheme.

Part 4 of Schedule 2 of the LGPS Regulations 2013 confirms that coroners are eligible for membership of the LGPS and that the Scheme employer for a coroner is the local authority which appointed them. However, the term 'coroner' is not defined in the 2013 Regulations, leaving open the question as to the types of coroner this term covered, particularly in light of the Coroners and Justice Act 2009 (the 2009 Act) which introduced a class of coroner called an assistant coroner.

The Counsel's view is that the use of the term 'coroner' with a small 'c' in the 2013 Regulations along with the fact that the 2013 Regulations do not attempt to define the term means, in short, that the Regulations cover all classes of coroner covered by the 2009 Act. For the Lancashire Fund this affects a very small number of

employees (e.g. for the County Council we believe 7 in total). Although unlikely that these members will join the scheme we still need to ensure the appropriate joining and opt out processes are in place for this class of employee.

3 2018 Pensions Increase

On 17 October 2017, the Office for National Statistics announced that the Consumer Prices Index rose by 3.0% in the year to September 2017.

The CPI increase for the year to September is normally used by Government for inflation proofing of public sector schemes.

Therefore, it is assumed that PI, which will be applied to pensions in payment on 9 April 2018 and to active LGPS CARE balances with effect from 1 April 2018, will be 3.0%. The Government will confirm the rate via legislation (expected early this year).

4 Autumn Budget

On 22 November 2017, the Chancellor delivered the budget statement, the only significant issue for pensions was that the Lifetime Allowance (linked to the Sept CPI figure) will increase from £1,000,000 to £1,030,000 with effect from 6 April 2018. The Government will in due course confirm this amount via legislation. (The lifetime allowance is a limit on the value of pension benefits at retirement that can be made without triggering an extra tax charge.)

5 Scheme Advisory Board tier 3 employer project

The Scheme Advisory Board for the LGPS in England and Wales (SAB) has appointed Aon Hewitt to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

The aims of the exercise are to identify:

- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
- Options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.

A key element of this project is information gathering and, on 27th November, the SAB launched three surveys for completion by LGPS administering authorities, Tier 3 employers and LGPS members employed by tier 3 employers.

The surveys were due to close on 31st December 2017, but this deadline has since been extended to 31 January 2018.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

**Local Government (Access to Information) Act 1985
List of Background Papers**

N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected: None;

Feedback from members of the Board on training events and Conferences attended since the last meeting.

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, mike.neville@lancashire.gov.uk

Executive Summary

This report lists training events/conferences which members of the Board have attended since the last meeting.

Recommendation

Members of the Board are asked to provide feedback on any training events or conferences they have attended since the last meeting.

Background and Advice

The Pension Fund Committee at its meeting on 29th January 2016 approved a refreshed training plan for members of the Committee. As with the previous plan, the purpose of the refreshed plan was to ensure best practice within the Fund, and to comply with the Public Service Pensions Act 2013.

Members and officers are also required to undertake training to satisfy the obligations placed upon them by the:

- Myners Principles (as detailed in the Statement of Investment Principles);
- Pensions Regulations and the Pensions Regulator;
- Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills; and the
- Local Government Pension Scheme (LGPS) Governance Compliance Statement.

It is appropriate that the same principles be extended to the operation of the Board and that members of the Board therefore provide verbal feedback at the subsequent Board meeting to cover:

- Their view on the value of the event and the merit, if any, of attendance

- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to Board Members.

The following conferences/workshops were attended by Board Members since the last meeting:

18th/20th October 2017 - PLSA Annual Conference and Exhibition in Manchester attended by Mr R Harvey.

2 November 2017 – Workshop on the revised Investment Strategy at County Hall, Preston, attended by K Haigh, R Harvey, Y Moulton, S Thompson and S Browne

10 November 2017 - Local Pension Board Member Seminar in Liverpool, attended by C Gibson and K Haigh

15th November 2017 – LGPS Practitioners Conference at the Hallmark Hotel, Leyland, attended by Y Moulton, S Browne and K Haigh.

23rd November 2017 - Workshop on General Data Protection Regulations and the Markets in Financial Instruments Derivative at County Hall, Preston, attended by S Browne and R Harvey

Board members will be asked to provide feedback on the above at the meeting.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills members of the Board may be ill-equipped to make informed considerations regarding the direction and operation of the Pension Fund.

Financial

The cost of attendance, together with travel and subsistence costs is met by the Pension Board.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Attendance at Conferences approved by the Head of Fund under the Scheme of Delegation to Heads of Service	October to November 2017	M Neville 01772 533431

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday 16th January 2018

Electoral Division affected: None;

Part I reports from the last Pension Fund Committee

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, mike.neville@lancashire.gov.uk

Executive Summary

This report lists the Part I reports that were presented to the Pension Fund Committee on the 1st December 2017. The Head of Fund will update members of the Board on any decisions taken in respect of the reports.

Recommendation

The Board is asked to comment on the Part I reports considered by the Pension Fund Committee on the 1st December 2017 as set out in the report.

Background and Advice

At the meeting on the 1st December 2017 the Pension Fund Committee considered the following reports in Part I of the agenda which were available to the press and public.

- Lancashire County Pension Fund Strategic Plan 2018/19 to 20/21
- Lancashire County Pension Fund 2017/18 Q2 budget monitoring
- Responsible Investment
- Update from the Responsible Investment Working Group
- Lancashire County Pension Fund Risk Register
- Lancashire County Pension Fund Voluntary Scheme Pays
- Implementation of the Markets in Financial Instruments Derivative (MiFID II)
- Feedback from members of the Committee on pension related training, conferences and events.

Members of the Board received notification when the agenda for the Committee was published and available to view on the County Councils [website](#). A full copy of the agenda was also available for members of the Board to view via the secure Pensions Library.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
Pension Fund Committee agenda	1 st December 2017	M Neville Democratic services 01772 533431

Reason for inclusion in Part II, if appropriate
N/A

Agenda Item 16

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

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Agenda Item 17

(NOT FOR PUBLICATION: By virtue of paragraph(s) 1,3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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