

# **Lancashire County Council**

## **Lancashire Local Pension Board**

**Tuesday, 19th January, 2021 at 2.00 pm in Zoom Virtual Meeting - Zoom**

### **Agenda**

#### **Part I (Open to Press and Public)**

##### **No. Item**

#### **Part I (Open to Press and Public)**

- 1. Welcome and apologies**
- 2. Disclosure of Pecuniary and Non-Pecuniary Interests**  
Board members are asked to consider any pecuniary or non-pecuniary interest they may have to disclose to the meeting in relation to matters under consideration on the agenda.
- 3. Minutes of the Last Meeting.** (Pages 1 - 6)  
To be confirmed by the Board and signed by the Chair in due course.
- 4. New Terms of Reference of the Lancashire Local Pension Board.** (Pages 7 - 18)
- 5. Feedback from members of the Board members on pension related training.** (Pages 19 - 20)
- 6. Part I reports presented to the most recent Pension Fund Committee** (Pages 21 - 22)
- 7. Regulatory Update** (Pages 23 - 26)
- 8. Lancashire County Pension Fund - Pension Administration Strategy Statement Review** (Pages 27 - 48)
- 9. Appeals Update** (Pages 49 - 52)
- 10. The Governance Policy Statement** (Pages 53 - 66)

**11. Lancashire County Pension Fund - Compliance with the requirements of the Pension Regulator** (Pages 67 - 82)

**12. Lancashire County Pension Fund - Breaches Report** (Pages 83 - 86)

**13. 2021/22 Programme of meetings** (Pages 87 - 88)

**14. Update on Lancashire County Pension Fund Branding and Website Development** (Pages 89 - 112)

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.

**15. Date of Next Meeting**

The next scheduled meeting of the Board will be held at 2.00pm on Tuesday the 20<sup>th</sup> April, 2021, either remotely via Zoom or, subject to any Covid-19 restrictions in operation at that time, at County Hall, Preston.

**16. 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)**

**17. Part II reports from the most recent Pension Fund Committee.** (Pages 113 - 114)

L Sales  
Director of Corporate Services

County Hall  
Preston







## **Lancashire Local Pension Board**

**Minutes of the Virtual Meeting held on Tuesday, 13th October, 2020 via Zoom, starting at 2.00 pm.**

### **Present:**

#### **Chair**

William Bourne

#### **Board Members**

County Councillor Matthew Salter, Employer representative (LCC)  
Steve Thompson, Employer representative - Unitary, City, Boroughs, Police and Fire  
Carl Gibson, Employer representative - Other Employers  
Kathryn Haigh, Scheme Member representative  
Yvonne Moulton, Scheme Member representative  
Keith Wallbank, Scheme Member representative  
Deborah Parker LLPB, Scheme Member representative.

#### **Others**

County Councillor E Pope, Chair of the Pension Fund Committee (observer).  
Ruth Lowry, Head of Internal Audit, Lancashire County Council.  
Greg Smith, Director of Strategy, Local Pensions Partnership.  
Abbi Leech, Head of Pension Fund, LCPF, Lancashire County Council.  
Paul Dobson, Treasury Management and Pensions, Corporate Finance, Lancashire County Council.  
Colin Smith Technical Adviser (Pensions) LCPF, Lancashire County Council.  
Mukhtar Master, Governance & Risk Officer, LCPF, Lancashire County Council.  
Mike Neville, Senior Democratic Services Officer, Lancashire County Council.

Note – in accordance with the decision at the last meeting all members of the Board received a presentation from the Head of Fund, Head of Internal Audit and the Director of Strategy from the Local Pensions Partnership regarding internal audit assurance of the Lancashire County Pension Fund before the start of the meeting.

### **1. Apologies**

The Chair welcomed everyone to the meeting and noted that apologies had been received from Mr T Pounder.

### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

It was noted that following the last meeting the Register of Interests for Board members had been reviewed and an updated version was now available to view on the County Council website alongside the agenda/minutes for the Board.

No declarations of interest were made at this point in the meeting with regard to items on the agenda.

### **3. Minutes of the Last Meeting.**

Since the last meeting the revised Terms of Reference for the Board have been approved by the Pension Fund Committee on 18<sup>th</sup> September 2020 and will be presented to the Full Council on the 15<sup>th</sup> October 2020 for approval. The Annual Report of the Pension Board had also been approved by the Committee and incorporated into the Lancashire County Pension Fund 2019/20 Annual Report which will be published in December 2020.

**Resolved:** That the Minutes of the meeting held on the 14<sup>th</sup> July 2020 are confirmed as an accurate record and signed by the Chair in due course.

### **4. Internal audit assurance**

Having received a presentation prior to the meeting on internal audit assurance for the Lancashire County Pension Fund the Board considered a report on specific role and responsibility of the Board in relation to internal audit reporting and assurances.

With regard to the Local Pensions Partnership the Board noted the assurances given by the Director of Strategy in relation to the existing governance model and recognised that the Partnership would continue to work in collaboration with the County Council to evolve its internal audit process.

The Board also acknowledged the impact of the Covid-19 pandemic on the Fund at the start of the current financial year and the affect it may have on any planned audits of the Partnership. As a result, it was suggested that the Fund should look to engage an External Auditor to undertake further audit work to complement any work done by the LPP internal auditors and provide additional assurance at the end of the financial year. It was noted that the commissioning of additional audit work would involve a cost to the Fund, however, this was considered to represent value for money in order to have additional assurance at the end of the current financial year.

In the future it was suggested that the evolving internal audit process of the Local Pensions Partnership should be sufficient to provide the required level of assurance to both the Partnership Board and shareholders.

**Resolved:** That in order to complement any work done by the Local Pensions Partnership internal auditors the Head of Fund engage an External Auditor to undertake further audit work and provide additional assurance to the Fund at the end of the current financial year.

### **5. Regulatory Update**

Mr Smith, Technical Adviser (Pensions) presented a report which updated the Board on the various pension related regulatory issues.

In considering the report the Board acknowledged that there would be significant work and cost implications for the pension administration service when implementing the proposed remedies for the LGPS to remove age discrimination brought about by the McCloud judgement. However, it was noted that the Fund historically collected high quality data on the membership which would be useful when implementing any necessary changes.

The Board also discussed the restriction on exit payments and was informed that Government regulations were expected to come into force shortly which would apply a £95k cap on public sector employers. Mr Smith reported that this was not currently permitted under the Fund's own regulations and the Local Government Association was in discussion with the Government about potential solutions to the conflict, such as a waiver process.

**Resolved:** That the updates on regulatory matters, as set out in the report presented and discussed at the meeting are noted.

## **6. Feedback from members of the Board on pension related training.**

Members of the Panel gave positive feedback on the 1<sup>st</sup> September 2020 workshop where the Independent Advisers to the Fund had given a presentation on their recommendations following the review of the Investment Strategy. It was noted that the Pension Fund Committee on the 18<sup>th</sup> September 2020 had approved the amended asset allocations and made a specific allocation to the Lancashire Local Property Portfolio.

It was also noted that the 2020/21 Training Record would be updated to show that all Board members had participated in the presentation prior to the start of the meeting on the role of internal audit in relation to the Fund and the Local Pensions Partnership.

### **Resolved:**

1. That the feedback from Board members regarding the workshop on the 1<sup>st</sup> September 2020 given at the meeting is noted.
2. That the 2020/21 Training Record be updated to show that all Board members participated in a virtual presentation on internal audit assurance of the Fund at 1.00pm on the 13<sup>th</sup> October 2020.

## **7. Succession planning for members of the Lancashire Local Pension Board.**

Mr Neville, Senior Democratic Services Officer, presented a report on a succession planning for members of the Board which had been developed in response to a decision reported to the meeting on the 14<sup>th</sup> July 2020 regarding recommendations from the Chair following the Annual Review.

In considering the report the Board noted that the proposed 2 year extension to the appointment of the independent Chair was a joint decision for the County Council and the London Pension Fund Authority who were supportive of an extension.

The potential impact of four Board member's term of appointment ending in mid-2023 was discussed and Mr Neville reported that the proposed timetable included sufficient time to recruit new members and enable them to familiarise themselves with the work of the Board before formally taking up their appointment.

**Resolved:** That the proposed timetable for the extension of the term of appointment for the current independent Chair and the future recruitment of Board Members, as set out at Appendix 'B' to the report presented, is approved and implemented.

## **8. Breaches Report**

Mr Master, Governance and Risk Officer, informed the Board that during the period 1<sup>st</sup> July 2020 to 30<sup>th</sup> September 2020 there had been no breaches in contribution payments and two data breaches, neither of which had been deemed significant enough to warrant reporting to the Information Commissioner. In addition there had been one Code of Practice 14 breach in relation to the pension administration service (which was not considered worthy of reporting to the Pension Regulator) where corrective action had been implemented to minimise future recurrence.

**Resolved:** That the summary of the Lancashire County Pension Fund breaches log for the period 1<sup>st</sup> July 2020 to 30<sup>th</sup> September 2020, as set out in the report presented, is noted.

## **9. Part I reports presented to the most recent Pension Fund Committee**

The Board discussed the various reports which had been considered by the Pension Fund Committee on the 18<sup>th</sup> September 2020 under Part I of the agenda.

In response to a query on the Admissions and Termination Policy Mr Smith, Technical Adviser (Pensions) confirmed that the policy of the Fund was to treat each school within a Multi Academy Trust as a separate employer with individual rates, though a pooled rate could be applied if requested.

The Board also discussed the comprehensive reporting on Responsible Investment matters and noted that following a consultation on the content of the 'Dashboard' style report the Head of Responsible Investment at LPP would feedback to Committee/Board members on the 3<sup>rd</sup> November 2020.

**Resolved:** That the reports considered by the Pension Fund Committee on the 18<sup>th</sup> September 2020 and subsequent decisions taken are noted.

## **10. Urgent Business**

No items of urgent business were raised under this heading.

## **11. Date of Next Meeting**

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on the 19<sup>th</sup> January 2021, either remotely via Zoom or in a meeting room at The Exchange, 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 items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraphs of Part I of Schedule 12A to the Local Government Act 1972, as indicated on each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## **13. Local Pensions Partnership - Governance Charter**

(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 Director of Strategy from the Local Pensions Partnership presented a report on the draft Governance Charter which summarised the governance arrangements for the pool. Individual members of the Board gave their feedback on the draft and suggested some minor amendments to the content and format.

**Resolved:** That the comments of the Board be forwarded to the Director of Strategy at the Local Pensions Partnership and taken into account when finalising the Governance Charter before publication.

## **14. LCPF Risk Register**

(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).

Mr Master, Governance and Risk Officer, presented a report on the current versions of the Fund Risk Register and the specific Covid-19 Register. In considering the report the Board noted that since the last review one risk rating had been increased from residual risk of 4 to 6 and a new transitional risk had been added to the Risk Register.

**Resolved:** That the contents of the Fund Risk Register and Covid-19 Risk Register are noted.

## **15. Part II reports presented to the recent Pension Fund Committee**

(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 Board considered a report on all the items presented to the Pension Fund Committee on the 18<sup>th</sup> September 2020 under Part II of the agenda and discussed the following.

- Information included in the Lancashire Local Partnership update in relation to the age demographic of the Fund membership, numbers of leavers and the importance of elapsed time as a measure of performance.
- The rigorous and robust nature of the review by the Investment Panel of the Fund Investment Strategy and the recommendations approved by the Committee.

**Resolved:** That the reports considered by the Pension Fund Committee on the 18<sup>th</sup> September 2020 under Part II of the agenda and subsequent decisions taken are noted.

## **16. Head of the Pension Fund**

The Chair reported that this would be the last meeting for the Head of the Pension Fund who was due to leave the County Council for a new job. On behalf of the Board the Chair thanked the Head of Fund for her competent and responsive approach to supporting both the Fund and the Board and wished her well for the future.

L Sales  
Director of Corporate Services

County Hall  
Preston

## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: None;
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### **New Terms of Reference for the Lancashire Local Pension Board.**

(Appendix 'A' refers)

Contact for further information:

Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, Lancashire County Council. [mike.neville@lancashire.gov.uk](mailto:mike.neville@lancashire.gov.uk)

#### **Executive Summary**

The new Terms of Reference for the Pension Board, as approved by Full Council on the 15<sup>th</sup> October 2020, are presented for information.

#### **Recommendation**

That the new Terms of Reference for the Pension Board, as approved by Full Council on the 15<sup>th</sup> October 2020 and set out at Appendix 'A' to this report, are noted.

#### **Background and Advice**

The Terms of Reference for the Pension Board were reviewed by the Head of Fund in December 2019 in accordance with the work plan and an amended draft presented to the Board in January 2020 for discussion. At that time the Board agreed that further work was required on some sections of the draft and that a revised version be shared with all members of the Board outside of the meeting.

A revised draft was circulated to all members of the Board for review ahead of the next scheduled meeting in April 2020. However, that meeting was subsequently cancelled due to the UK Covid-19 outbreak and so the revised draft was approved using the written resolution procedure, as reported to the Board on the 14<sup>th</sup> July 2020.

The intention was then to present the revised draft to the Pension Fund Committee on the 19<sup>th</sup> June, 2020, though that meeting was also cancelled due to Covid-19 and the item referred to the next meeting. The Committee then met remotely on the 18<sup>th</sup> September 2020 and approved the revised draft Terms of Reference and recommended them to Full Council for approval.

Full Council considered the revised Terms of Reference on the 15<sup>th</sup> October 2020 and approved them. All members of the Pension Board were informed of the

decision by email on the same day and sent a copy of the new Terms of Reference for their future reference.

A copy of the approved new Terms of Reference are attached at **Appendix 'A'** to this report.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

It is a matter of good governance to review the Terms of Reference of the Board in order to ensure that they remain fit for purpose.

### **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

### Terms of Reference

#### 1. Role and remit of the Board

- a) To assist Lancashire County Council as the Administering Authority in its role as Scheme Manager (as delegated to the Pension Fund Committee):
  - i. to secure compliance with the Local Government Pension Scheme (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 (the Fund).
- c) To provide the Pension Fund Committee with such information as it requires to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.
- d) To review and scrutinise governance processes and procedures to ensure that the 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 for the Fund to ensure they are fit for purpose.
- g) The Board must assist the Pension Fund Committee with such other matters as the scheme regulations may specify.

This role involves but is not limited to assisting with, the oversight of and commenting on:

- i the development of improved customer services.
- ii the monitoring of administration and governance against key performance targets and indicators.
- iii the effectiveness of processes for the appointment of advisors and suppliers to the County Council.
- iv a review of the Lancashire County Pension Fund Risk Register as it relates to the Scheme Manager function of the Authority.

- v the development of improved management, administration and governance structures and policies.
  - vi a review of the outcome of actuarial reporting and valuations.
  - vii any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) that 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 to the Pension Fund Committee in March each year a proposed annual work plan 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 Board shall consist of 9 members and be constituted as follows:

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 following consultation with the other employers within the Fund.

4 scheme member representatives drawn from the membership of the Fund.

1 independent member selected by the Pension Fund Committee who shall not be a member of the Lancashire County Pension Fund and who shall be appointed as Chair of the Board.

Members in the above categories will only be appointed to the Board by the full Council if they meet the knowledge and understanding requirements set out in the

relevant regulations and guidance, and as set out in Section 5 below.

#### Process

- a) Two employer representatives shall be nominated by Lancashire County Council. The nomination of a County Councillor or officer shall comply with the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority.
- b) One employer representative to be drawn from the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Fund.
- c) One employer representative to be drawn from all other employers within the Fund.
- d) Four scheme member representatives to be drawn from the membership of the Fund.

Employers within the Fund shall be notified of any vacancies arising under categories b) and c) above. Any nominations shall be submitted to the county council's Director of Corporate Services.

A vacancy arising under category d) shall be brought to the attention of employer and member representative bodies to enable the vacancy to be advertised as widely as possible. This will include details of the vacancy being published on websites as appropriate. Scheme members shall submit expressions of interest to the county council's Director of Corporate Services.

All nominations and expressions of interest submitted under categories b), c) and d) would go through an initial sifting process by the Head of the Pension Fund in consultation with the Chair of the Lancashire Local Pension Board. Nominations and expressions of interest would be considered against the role profile and having regard to equal opportunities legislation. In the event that more than one suitable candidate is identified, there will be a formal interview process involving the Chair and two other members of the Board. The interview process would test the ability of the individual to meet the requirements of the role and any recommended appointment would be made on merit.

Once a suitable representative has been identified they would need to be formally appointed to the Board by the Full Council.

- e) One independent member selected and appointed by the county council as the Administering Authority.

This person shall not be a member of the Fund. Such appointment will only be made following an openly advertised competition for the role. Interviews will be arranged and conducted as necessary by the Head of the Pension Fund who shall make a recommendation to the Pension Fund Committee for consideration who will then refer the matter to the Full Council for a decision as appropriate.

### **3. Term of appointment and removal of members of the Board**

- a) The Independent Chair of the Pension Board shall be appointed by the Full Council for an initial 2 years with an option for the appointment to be extended for an additional 2 years.
- b) Other members of the Board will serve for an initial four year term with an option to extend for a further 4 years, subject to the approval of the Full Council. Other than as a result of retirement at the expiry of this period the term of office of a member of the Board will come to an end:
  - i) For employer representatives who are councillors if they
    - cease to hold office as a councillor,
    - are appointed to serve on the Pension Fund Committee,
    - are replaced in accordance with the change of membership procedure adopted by the County Council, or
    - are removed by a resolution of the Full Council.
  - ii) For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;
  - iii) For a scheme member or employer representative if they are appointed to a role with responsibility for the management or administration of the Fund.
  - iv) For scheme member representatives if they cease to be a member of the Fund.
  - v) Where there is a conflict of interest which cannot be managed in accordance with the Conflict of Interests Policy.
  - vi) Where an individual fails to attend meetings, undertake training or otherwise comply with the requirements of being a member of the Pension Board.
- c) Each Board member should endeavor to and is expected to attend all Board meetings during the year. 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.
- d) Other than by ceasing to be eligible as set out above, a Board member (including the independent member) may only be removed from office during a term of appointment by the consent of the Full Council

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

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

and embodied in their Code of Conduct as approved by the Board and published on the Local Pension Fund Website.

## **5. Knowledge and Understanding**

- a) A member of the Board must be conversant with:
  - i) The legislation and associated guidance of the LGPS.
  - ii) Any document recording policy about the administration of the LGPS which is for the time being adopted by the Fund.
- b) A member of the Board must have knowledge and understanding of:
  - i) The law relating to pensions, and
  - ii) Any other matters which are prescribed in regulations.
- c) It is for individual 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 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. A record of the training Board members have undertaken will be presented to the Board on an annual basis

- d) Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- e) Board members will comply with the Training Policy approved by the Pension Fund Committee.

## **6. Role of the Chair**

- a) To ensure that the Board delivers its purpose as set out in these Terms of Reference.
- b) To ensure that Board meetings are productive and effective and that all members of the Board have an opportunity to contribute to discussions.
- c) To seek to ensure that the Board reach consensus when making decisions and to put decisions to a vote when it cannot be reached.
- d) To facilitate the Annual Review of the effectiveness of the operation of the Board over the previous year and draft a report on the findings for inclusion in the Annual Report of the Fund.

## **7. Quorum**

- a) For the Board to be quorate the Chair and at least 2 employer representatives and 2 scheme member representatives must be present.
- b) In the event that the Board is inquorate the meeting may continue but any decisions will be non-binding until they can be ratified by the Board.

## **8. Decision making**

Employer/members representatives on the Board will have an individual voting right but it is expected the Board will, as far as possible, reach a consensus. Under Regulation 106(7) of the LGPS Regulations 2013 the Chair is explicitly excluded from having the right to vote.

Written resolution procedure - Should the Board need to take a decision between scheduled meetings then all Employer/Scheme Member representatives on the Board shall be consulted by email on the proposal and asked to indicate whether or not they support the recommendation. The Chair will receive a copy of the written resolution for their information. The decision of the Board will then be based on a simple majority of the responses received and will be reported to the subsequent Board meeting.

## **9. Board Meetings – Notice, Minutes and Reporting**

- a) The Director of Corporate Services shall give notice to all Board members of every meeting of the Board, and shall ensure that papers are published on the Lancashire County Pension Fund Website at least 5 working days prior to each meeting.
- b) The Director of Corporate Services shall ensure that a formal record of Board proceedings is maintained. Subsequent to each meeting the Chair will be asked to approve the minutes for publication and circulation to all members of the Board.
- c) 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 Pension Fund Committee with the response of the Committee being reported to the subsequent Board meeting.
- d) **Annual Report** - The Pension Board shall produce an Annual Report on the nature and effect of its activities for consideration by the Pension Fund Committee. The contents of the Annual Report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:
  - i) Details of the attendance of members at Board meetings;
  - ii) Details of the training and development activities provided for members of the Board and attendance at such activities;
  - iii) Details of any recommendations made by the Board to the Pension Fund Committee and the response of the Committee to those recommendations.

- iv) Details of the costs incurred in the operation of the Board.
- v) A statement by the Chair on the findings of the Annual Review of the effectiveness of the Board.

If approved by the Committee the Annual Report of the Board will be incorporated into the Annual Report of the Fund and submitted to the full Council for approval.

- e) If considered appropriate the Board may establish Sub Groups to look in detail at specific issues and report back to the Board.

## **10. Publication of Pension Board information**

Scheme members and other interested parties will want to know that the Fund is being efficiently and effectively managed. They will also want to be confident that the 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.

The Board will ensure that up to date information is posted on the Lancashire County Pension Fund website showing

- The names, contact details and other relevant information about the Pension Board members;
- The responsibilities of the Pension Board as a whole;
- The full Terms of Reference and policies of the Pension Board and how they operate;
- Any specific roles and responsibilities of individual Pension Board members.

The Pension Fund Committee 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. Budget**

- a) The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board shall be met from the Lancashire County Pension Fund.
- b) The Pension Fund Committee shall approve an annual budget for the Board which will be managed by and at the discretion of the Head of Fund.

## **12. Reimbursement of Travel and Subsistence Expenses and Remuneration.**

- a) All Board members 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.

- b) Board members 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.
- c) 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. Where any applicable sums and contributions are claimed by an employer, costs must actually have been incurred by the employer and evidence must be provided with any claim.

Members of the Board may be able to reclaim from the Lancashire County Pension Fund a sum in financial loss commensurate to time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities, except where such sums are recoverable under any other paragraph of these terms of reference. Where any applicable sums are claimed by an individual evidence must be provided with the claim. The Head of Fund will have absolute discretion to determine the final sum reimbursed based on what is deemed sufficiently evidenced, reasonable and proportionate, to be assessed on a case by case basis.

- d) In accordance with the decision of the Full Council on 28 February 2019, the Chair of the Board shall receive a fixed annual allowance of £12,500 (in addition to travel and subsistence expenses) to be inflated in April each year by the Consumer Price Index for the previous September. The payment of the annual allowance will be split 50:50 between the Lancashire County Pension Fund and the London Pensions Fund Authority.

### **13. Advisers to the Board**

- a) The Board may be supported in its role and responsibilities through the appointment of advisers, in addition to the County Council'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.
- b) The Board shall ensure that the performance of any advisers so appointed is reviewed on a regular basis.

### **14. Reporting Breaches**

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



## Note

<b>Administerin g Authority</b>	Is the Full Council of Lancashire County Council as set out in Part I of Schedule 3 of the Local Government Scheme Regulations 2013
<b>Scheme Manager</b>	Is the Pension Fund Committee (Full Council having delegated powers to the Committee as set out in the County Councils Constitution).
<b>Pension Board or Board</b>	Is 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
<b>Chair</b>	The individual responsible for chairing meetings of the Lancashire Local Pension Board and guiding its debates.
<b>LGPS or Scheme</b>	Means 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
<b>Fund</b>	Means the Lancashire County Pension Fund



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 19<sup>th</sup> January 2021

Electoral Division affected: None
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### Feedback from members of the Board on pension related training.

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

#### Executive Summary

This report relates to training which some members of the Board have participated in since the last meeting and gives individuals an opportunity to provide feedback on their experience.

#### Recommendation

Individual members of the Board are asked to provide feedback on their experience of the training referred to in the report.

### Background and Advice

The revised Training Policy agreed by the Pension Fund Committee sets out the approach to supporting the learning/development needs of individuals with responsibility for the strategic direction, governance and oversight of the Lancashire County Pension Fund through their membership of either the Lancashire Local Pension Board or the Pension Fund Committee.

Since the last meeting members of the Board have participated in the training event referred to below and individual members are invited to provide feedback on their experience at the meeting.

**3<sup>rd</sup> November 2020 Zoom workshop on the Responsible Investment Dashboard for Pension Fund Committee** – W Bourne, County Councillor M Salter, S Thompson, Y Moulton and D Parker.

**12<sup>th</sup> January 2021 Zoom Workshop – Update from Local Pensions Partnership Administration.** Board members participation will be reported at the meeting and members given an opportunity to comment.

### Consultations

N/A

**Implications:**

This item has the following implications, as indicated:

**Risk management**

Without the required knowledge and skills the members of the Board may be ill equipped to consider issues and make informed decisions regarding the direction and operation of the Lancashire County Pension Fund.

**Financial**

Any delegate fee, travel or accommodation costs associated with external training is met from the Pension Board budget, which is funded by the Lancashire County Pension Fund.

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

Paper	Date	Contact/Tel
Attendance sheet for training workshop.	3 <sup>rd</sup> November 2020	M Neville 01772 533431

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

## Lancashire Local Pension Board

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: None;
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### Part I reports presented to the most recent 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 reports that were presented in Part I of the agenda at the most recent meeting of the Pension Fund Committee. At the meeting the Head of Fund will update members of the Board on decisions taken by the Committee.

#### Recommendation

The Board is asked to comment on the Part I reports that were considered by the Pension Fund Committee on the 27<sup>th</sup> November 2020 and any decisions taken.

#### Background and Advice

At the meeting on the 27<sup>th</sup> November 2021 the Pension Fund Committee considered a number of reports in Part I of the agenda (available to the press and public) which included the following.

- Minutes of the Meeting held on the 18th September 2020
- Lancashire County Pension Fund - External Audit Findings Report
- Lancashire County Pension Fund 2020/21 Q2 Budget Monitoring
- Admissions and Termination Policy
- Local Pensions Partnership: Governance Charter
- Local Pensions Partnership 2019/20 Annual Report and Accounts
- Feedback from members of the Committee on pension related training.
- Responsible Investment Report
- Programme of meetings 2021/22
- Date of Next Meeting – 10.30am on the 12th March, 2021

Members of the Board received notification when the agenda for the Committee was published and available to view on the [County Council's website](#). A full copy of the agenda was also made available for Board members 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 associated with this report

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

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

## Lancashire Local Pension Board

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: (All Divisions);
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### Regulatory Update

Contact for further information:

Colin Smith, 01772 534826, Technical Advisor, Lancashire County Pension Fund,  
Colin.Smith@lancashire.gov.uk

#### Executive Summary

This report sets out an update on various pension related regulatory issues to assist Board members to exercise their functions as a member of the Pension Board effectively.

#### Recommendation

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

### Background and Advice

#### 1. Restricting exit payments in the public sector (95k Cap)

The Restriction of Public Sector Exit Payments Regulations 2020 ('the exit cap regulations') were signed on 14 October 2020 and came into force on 4 November 2020.

As previously reported in the last update this effectively means there is a conflict between the exit cap regulations and the LGPS regulations when a scheme member aged 55 or over is made redundant (including business efficiency dismissals and where an employer waives an actuarial reduction under regulation 30(8)) and the total exit payment exceeds £95,000.

The LGPS regulations require the member to take payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost. This will be the cases for any exits that occur from 4 November 2020 and the date the LGPS regulations are amended in respect of scheme employers in scope of the cap and where the exit cost for the member exceeds £95,000.

On 28 October 2020 Luke Hall MP wrote to the Chief Executives of Councils and LGPS administering authorities concerning the implementation of the exit payment cap. The Minister's recommended course of action in cases where the cost of an exit

including pension strain cost would exceed the £95,000 cap is that LGPS members in that position should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost.

On the 30 October 2020 the Scheme Advisory Board, having obtained legal advice, set out their opinion on the course of action that presents the lowest risk when the cap is breached in respect of an LGPS member aged 55 or over. In their view, the risks are lowest if the:

- administering authority offers the member a choice between deferred benefits or a fully reduced pension; and
- delay payment of a cash alternative under regulation 8 of The Restriction of Public Sector Exit Payments Regulations 2020.

This approach, they state, allows the maximum flexibility for the administering authority and the capped employer to minimise the financial risks associated with a legal challenge from the scheme member.

The Lancashire County Pension Fund has adhered to the advice provided by the Scheme Advisory Board and have advised the Local Pensions Partnership Administration (LPPA) that any cases received for employers in scope of the cap, can be released where the exit costs are clearly under the cap and termination dates are not beyond 31 March 2021. Additionally in calculating the pension strain for employers in scope the Fund have advised that these should be calculated based on the new GAD factors. A spreadsheet developed by the Fund actuaries has been provided to LPPA for the purpose of calculating that pension strain.

All other cases for employers out of scope of the exit cap continue to be calculated as normal using the pension strain calculated by the altair software tool in line with the assumptions agreed with the Fund Actuary.

The provisions referred to above are currently subject to legal challenge and three applications for judicial review have been accepted covering 15 grounds (including substantial LGPS content). These will be heard together on 16/17 March 2021 and the Ministry of Housing, Communities and the Local Government has confirmed that the wider reforms will be put on hold until these outcomes are known. There have already been some claims for release of pensions which currently sit with the Pension Ombudsman who has indicated that no adjudication will be made whilst this legal action is pending.

As such the Fund will revisit advice provided to the Local Pensions Partnership once more information and the effect of the current legal challenges become clearer.

## **2. Review of employer contributions and flexibility on exit payments**

The Local Government Pension Scheme (Amendment) (No.2) Regulations 2020 were implemented from 23 September 2020. This legislation introduced “deferred debt” provisions, which allow employers to continue to participate in the Fund as



ongoing employers after their last active member leaves in order to manage an exit payment that may be due.

Recently the Fund has determined that the Employer risk function currently undertaken by Local Pensions Partnership will, with effect from 1 April 2021, transfer back to the Fund's in house team. As part of this change the Fund will be working more closely with the Fund Actuary particularly in monitoring the strength of scheme employers. As part of this the Fund will also be developing a policy around the deferred debt provisions and incorporate this into the Fund's admissions and termination policy.

Draft guidance has also been prepared regarding these employer flexibilities. This was prepared by the Scheme Advisory Board (SAB) in conjunction with representatives from administering authorities and scheme employers. The purpose of the guide will be to provide operational and practical assistance to administering authorities and employers when implementing employer flexibilities introduced by the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020 and this is expected to be issued very shortly.

### **3. SF3 data published**

On 4 November 2020, the Ministry of Housing, Communities and the Local Government published their Local government pension scheme statistics (SF3 statistics) for England and Wales: 2019 to 2020. This collection brings together all statistics on the local government pension scheme in England and Wales. A copy can be viewed at the following link.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/932430/LGPS\\_England\\_and\\_Wales\\_2019-20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/932430/LGPS_England_and_Wales_2019-20.pdf)

Highlights include:

- total expenditure of £13.4 billion, an increase of 5.6% on 2018/19
- total income of £16.0 billion, an increase of 2.6% on 2018/19
- employer contributions increased by 7.7% on 2018/19 to £7.7 billion
- employee contributions of £2.3 billion
- the market value of LGPS funds in England and Wales on 31 March 2020 was £272.4 billion, a decrease of 5.1%
- there were 6.1 million scheme members on 31 March 2020, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
- there were 88,232 retirements in 2019/20, an increase of 5.7% compared with 2018/19.

### **4. Pensions Increase**

On 21 October 2020, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2020 as 0.5%.

This is generally the basis on which increases to pensions in payment and the revaluation of active member pension accounts are made. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS

active pension accounts, deferred pensions and pensions in payment in April 2021 will be 0.5%, normally confirmed in law in March each year.

### **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**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: (All Divisions);
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## **Lancashire County Pension Fund Pension Administration Strategy Statement Review**

(Appendix 'A' refers)

Contact for further information: Colin Smith, 01772 534826, Technical Advisor,  
Lancashire County Pension Fund, [Colin.Smith@lancashire.gov.uk](mailto:Colin.Smith@lancashire.gov.uk)

### **Executive Summary**

Although the Pension Administration Strategy Statement is reviewed as a matter of course where there are significant changes to the Scheme regulations or Pension Fund policies, it is also prudent and best practice to ensure that a general review is undertaken of the Fund's policies and statements at regular intervals to ensure they remain appropriate and compliant with the Fund's policy intentions.

### **Recommendation**

The Local Pension Board is asked to review the current Pension Administration Strategy Statement set out at Appendix 'A' and provide any feedback or comments regarding the content.

### **Background and Advice**

The County Council is responsible for administering the Lancashire County Pension Fund and delegates its functions in respect of the Scheme to the Pension Fund Committee who further delegate the administration of the Scheme to the Local Pensions Partnership under the terms of a Service Level Agreement.

The Pension Fund Committee, in conjunction with the Local Pension Board, have responsibility for the monitoring and review of this Administration Strategy.

The primary purpose of the statement is to facilitate the improvement of administrative processes in compliance with regulatory provisions and the Code of Practice No 14 as issued by the Pension Regulator.

The key objective in relation to administration is to deliver an efficient, quality and value for money service to the Fund's scheme employers and scheme members.

As such the key objectives will be to ensure that:

- the Pension Fund and scheme employers understand their responsibilities under the Scheme and the processes in place to meet those responsibilities;
- the Pension Fund and scheme employers are compliant with the scheme rules and the Pension Regulator's code of practice;
- accurate records are maintained and data and documents are submitted in a timely and secure manner;
- lines of communication between the Pension Fund and scheme employers are maintained and enhanced to maximise employer engagement;
- in house and external training continues to be developed and rolled out;
- service standards are maintained, improved and regularly monitored.

The Pension Administration Strategy Statement was last revised in September 2018 following a consultation with scheme employers. The changes made at that time included the extension of the number of employer and fund performance standards to be measured, the introduction of charges to be levied on a scheme employer whose performance falls short of the employer performance standards and minor amendments to reflect procedural changes in relation to data collection processes.

## **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**

Paper	Date	Contact/Tel
Pension Administration Strategy Statement	September 2018	Colin Smith 01772 534826

Reason for inclusion in Part II, if appropriate

N/A

# Lancashire County Pension Fund

## Pension Administration Strategy Statement

September 2018

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# INTRODUCTION

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This is the Pension Administration Strategy Statement (Administration Strategy) of the Lancashire County Pension Fund (the Pension Fund) in relation to the Local Government Pension Scheme (the Scheme), which is administered by Lancashire County Council (the County Council).

## **Aims**

The Pension Fund is committed to providing a high quality pension service to both members and scheme employers and to ensure that the Pension Fund is effectively governed. The aim of this Administration Strategy is to set out the roles and responsibilities of the Pension Fund and its scheme employers in administering the Scheme. It seeks to promote good working relationships and improve efficiency between the Pension Fund and its scheme employers.

The efficient and effective delivery of the benefits of the Scheme is dependent on sound administrative procedures being in place between a number of interested parties, including the Pension Fund and scheme employers. The Administration Strategy sets out the quality and performance standards expected of the Pension Fund and its scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where persistent failure occurs.

Specifically the Administration Strategy will seek to facilitate best practices and efficient customer service in respect of the following:-

- Procedures for liaison and communication with scheme employers;
- The establishment of performance levels which the administering authority and scheme employers are expected to achieve;
- Procedures to ensure compliance with statutory requirements in connection with the administration of the scheme;
- Procedures for improving the methods of passing information between the administering authority and scheme employers.

## **Implementation**

The Administration Strategy is kept under review and revised to keep abreast of changes in Scheme regulations and Pension Fund policies and procedures.

Changes to the Administration Strategy will be made following consultation with employers who, along with the Secretary of State, will receive a copy of the revised statement.

## **Regulatory basis**

The Scheme is a statutory scheme, established by an Act of Parliament. The following principal regulations governing the Scheme are shown below:

- The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] (as amended)

- The Local Government Pension Scheme (Transitional provisions, savings and amendment) Regulations 2014 [SI 2014/525] (as amended)

This legislation may be accessed at <http://www.lgpsregs.org/index.php/regs-legislation>

Specifically regulation 59 of the Local Government Pension Scheme Regulations 2013 enables a Local Government Pension Scheme Fund to prepare a document ("the pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows a fund to recover additional costs from a scheme employer where, in its opinion, those costs are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

## **SCHEME ADMINISTRATION**

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### **Responsibility**

The County Council is responsible for administering the Lancashire County Pension Fund.

The County Council delegates its functions in respect of the Scheme to its Pension Fund Committee who further delegates the administration of the Scheme to the Local Pensions Partnership under the terms of a Service Level Agreement.

The Pension Fund Committee, in conjunction with the Local Pension Board, are responsible for the monitoring and review of this Administration Strategy.

### **Objectives**

The Pension Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members.

As such the key objectives will be to ensure that:

- the Pension Fund and scheme employers understand their responsibilities under the Scheme and the processes in place to meet those responsibilities;
- the Pension Fund and scheme employers are compliant with the scheme rules and the Pension Regulator's code of practice;
- accurate records are maintained and data and documents are submitted in a timely and secure manner;
- lines of communication between the Pension Fund and scheme employers are maintained and enhanced to maximize employer engagement;



- in house and external training continues to be developed and rolled out;
- service standards are maintained, improved and regularly monitored.

## **PERFORMANCE STANDARDS**

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The Local Government Pension Scheme prescribes that certain decisions be taken by either the Pension Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Pension Fund has agreed levels of performance between itself and scheme employers which are set out in this Administration Strategy.

### **Internal quality standards**

The Pension Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide, as amended from time to time
- information required by the Pension Fund to be provided in the standard specified format/form
- communications to be in a plain language/plain English
- information provided must be authorised by an appropriate officer
- actions carried out, or information provided, must be within the timescales set out in this Administration Strategy.

### **Timeliness**

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme.

The Scheme itself sets out a number of requirements for the Pension Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependents, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

## **PENSION FUND RESPONSIBILITIES**

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This section outlines the key responsibilities of the Pension Fund and the performance standards scheme employers and scheme members should expect. It is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities.

### **Pension Fund Administration**

This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

<b>Function/Task</b>	<b>Performance Target</b>
Publish and keep under review the Pension Fund's Administration Strategy.	Within one month of any changes that have been consulted on with scheme employers.
Publish and keep up to date scheme guidance	30 working days from any revision.
Publish and keep up to date all forms required for completion by scheme members, prospective scheme members or scheme employers.	30 working days from any revision.
Host a meeting for all scheme employers.	Annually for administrators and separately for Finance Directors/Chief executives.
Organise training sessions for scheme employers.	As matter of course for all new employers in the form of induction training.  Upon request from scheme employers, or as required, up to a maximum of 10 days for each employer per annum. Attendance in excess of 10 days will be provided at a daily rate to be determined on request.
Notify scheme employers and scheme members of changes to the scheme rules.	Within one month of the change(s) coming into effect.
Notify a scheme employer of issues relating to the scheme employer's poor performance.	Within 30 working days of a performance issue becoming apparent.
Notify a scheme employer of decisions to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due).	Within 30 working days of a scheme employer's failure to improve performance, as agreed.

Issue annual benefit statements to active and deferred members as at 31 March each year.	By the following 31 August
Issue formal valuation results (including individual employer details).	No later than 31 March following the valuation date
Carry out interim valuation exercises on cessation of admission agreements or a scheme employer ceasing participation in the Pension Fund.	Upon each cessation or occasion where a scheme employer ceases participation of the Pension Fund.
Undertake a risk assessment for all new admitted bodies in the Pension Fund	To be completed before the admitted body can be admitted to the Pension Fund.
Publish, and keep under review, the Pension Fund's Governance Policy and Compliance Statement.	A review will be undertaken by 30 September following the year end as part of the Pension Fund's Annual Report and Accounts, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Publish and keep under review the Pension Fund's Funding Strategy Statement.	To be reviewed at each triennial valuation, following consultation with scheme employers and the Pension Fund's actuary. Revised statement to be published at the same time as the final valuation report is issued.
Publish the Pension Fund's Annual Report and Accounts and any report from the auditor.	By 30 November following the year end or following the issue of the auditor's opinion.
Publish, and keep under review, the Pension Fund's Communication Strategy Statement.	The statement will be published within 30 days of any material change to the policy.
Publish, and keep under review, all discretionary areas where a policy decision is required by the administering authority.	All discretionary areas will be reviewed where policy or regulatory issues need to be addressed, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.

Publish, and keep under review, the Pension Fund's Investment Strategy Statement.	The statement will be reviewed tri-annually unless policy or regulatory issues need to be addressed sooner, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Appoint stage 2 "appointed person" for the purposes of the pension dispute process and notify all scheme employers of the appointment.	Within 30 working days following the resignation of the current "appointed person".
Process all stage 2 pension dispute applications.	Within 2 months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.

### Scheme Administration

This details the functions which relate to scheme member benefits from the Scheme.

Function/Task	Performance Target
Calculate transfer values in within 10 working days of receipt of necessary documentation	95%
Provide information on request in respect of Pension Sharing on Divorce within legislative timescales. (A charge to the member will be levied in line with pension sharing on divorce legislation)	100%
Implement Pension Sharing Orders within legislative timescales	100%
Provide a statement of deferred benefit entitlement on leaving service within 10 working days of date of leaving or receipt of notification, whichever is later.	95%

Provide annual statement of benefit entitlement to active and deferred members within legislative timescales	100%
Respond to requests for estimates of benefits within 10 working days following receipt of request	95%
Calculate and pay refunds within 10 days of receipt of notification.	95%
Calculation and payment of retirement benefits, deferred benefits and death in service lump sums in accordance with LGPS rules, members' options and statutory limits. The service includes the recalculation and payment of benefits as a result of amended data received by the Pension Service.  Within 10 working days of receipt of required documentation or date of entitlement to benefit; whichever is later.	95%
Calculate and pay transfer value out within 10 working days of receipt of necessary documentation	95%
Calls to the Pensions Helpdesk answered	95%
Respond to general queries/correspondence within 10 working days of receipt of query/correspondence	95%
Make payment of pensions on due date	100%
Produce on line P60s for pensioners within statutory deadlines	100%
Implement annual pension increases by payment due date	100%

Implement change in pensioner circumstance by payment due date including the calculation and quoting of benefits on the death of pensioners and administering the recovery of overpayments	95%
Undertake annual reviews to establish continuing entitlements to pension for all eligible children	100%
Amend personal records within 10 working days of receipt of required documentation	95%
Calculation of additional membership for transfer values within 10 working days of receipt of required documentation	95%
Action agreed transfer values out within 10 working days of receipt of required documentation	95%

# SCHEME EMPLOYER RESPONSIBILITIES

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This section outlines the responsibilities of all scheme employers in the Pension Fund and the performance standards scheme employers are expected to meet to enable the Pension Fund to deliver an efficient, quality and value for money service.

All information must be provided in the format and frequency prescribed by the Pension Fund within the prescribed timescales. Information and guidance is provided in the Employers' Guide and the Guide and forms are accessible from the Pension Fund's website.

## Pension Fund Administration

This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Confirm a nominated representative to receive information from the Pension Fund and to take responsibility for disseminating it within the organisation.	Within 10 working days of employer joining fund or change to nominated representative.
Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the Scheme (including providing a copy of the policy decision(s) to the Pension Fund).	Within 30 working days of policy being agreed the employer.
Respond to queries from the Fund's administrator.	Within 10 working days from receipt of enquiry.
Attend induction training provided on admission to the Pension Fund, and other training relating to the administration of the Fund as and when this is offered	Within 30 days of admission, or as agreed for an established scheme employer.
Pay over employer and employee contributions to the Pension Fund	Cleared funds to be received by 19th calendar day of month after deduction. 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.

Provide schedule of payments in the format stipulated by the Fund.	By the 19th calendar day of month after deduction.
Implement changes to employer contribution rates as instructed by the Fund.	At date specified on the actuarial advice received by the Fund.
Provide monthly data as specified by the Fund in the format and frequency stipulated.	Submitted by the 6 <sup>th</sup> of the month following the month it relates
Notify the Pension Fund if contracting out services which will involve a TUPE transfer of staff to another organisation.	At the time of deciding to tender so that information can be provided to assist in the decision.
Work with the Pension Fund to arrange for an admission agreement and surety arrangements to be put in place when contracting out a service and assist in ensuring it is complied with.	Agreement to be in place by the time the service is contracted out.
Notify the Pension Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Pension Fund.	As soon as the decision is made, so that the Fund can instruct the actuary to carry out calculations if applicable.
Provide new/prospective scheme members with relevant Scheme information (or refer them to the Fund website).	Within 10 working days of commencement of employment or change in contractual conditions.
Make additional fund payments/pensions strain amounts in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employers consent.	Within 30 days of receipt of invoice from the Pension Fund.
Make payment of additional costs to the Pension Fund associated with the poor performance of the scheme employer.	Within 30 working days of receipt of invoice from the Pension Fund.



### **Scheme Administration**

This section details the functions which relate to scheme member benefits from the Scheme.

<b>Function/Task</b>	<b>Performance Target</b>
Use online forms and monthly data collection portal for all relevant scheme administration tasks	Within 15 days of employer being set up to use the relevant systems
Confirm a nominated representative to act as administrator on the Pension Fund website for the online submission of forms and monthly data	Within 15 days of implementation of the relevant systems.
Notify the Pension Fund of each new employee admitted to the pension scheme and ensure that the employee completes their element of the process.	Via next monthly data collection portal following admission of new employee.
Arrange for the correct deduction of employee contributions from a scheme member's pensionable pay on becoming a scheme member.	Immediately on joining the scheme, opting in or change in circumstances.
Ensure correct employee contribution rate is applied	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Arrange for reassessment of employee contribution rate in line with employer's policy and notify the employee of the change in rate.	Review as per policy and notification within 10 working days of change in rate.
Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave or absence from duty.	Immediately, following receipt of election from scheme member to make the necessary pension contributions.
Commence deduction of additional pension contributions or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Pension Fund.

Cease deduction of additional pension contributions.	Immediately following receipt of election from scheme member.
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s).	Commence deduction of AVCs in month following the month of election. Pay over contributions to the AVC provider(s) by the 19 <sup>th</sup> of the month following the month of election.
Refund any employee contributions deducted in error.	Month following month of deduction.
Cease deduction of employee contributions where a scheme member opts to leave the Scheme.	Month following month of election, or such later date specified by the scheme member.
Refund employee contributions via payroll where the member has opted out within 3 months	Month following month of election to opt out.
Provide the Pension Fund with details of all contractual changes to scheme members working hours.	Via the monthly data collection portal
Notify the Pension Fund of changes in employees' circumstances	Via monthly data collection portal
Provide the Pension Fund with details of any breaks in membership (e.g trade disputes, maternity, paternity) and any APC contracts taken out to cover the break in service.	Via monthly data collection portal.  Any forms not facilitated under the portal should be submitted within 10 working days of effective date of action (e.g "return from absence" notification).
Notify the Pension Fund when a scheme member leaves employment including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014).	Via monthly data collection portal.  In addition forms relating to the assessment of actual and final pensionable pay should be submitted through the employer portal immediately following the availability of accurate pay details.

Notify the Pension Fund when a scheme member is due to retire including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014) and authorisation of reason for retirement.	Submitted online within 5 working days before retirement date.
Notify the Pension Fund of the death of a scheme member.	Submitted online and as soon as practicable, but within 5 working days.
Appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with the Pension Fund	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser
Carry out an 18 month review of scheme members who retired on grounds of ill health (Tier 3)	18 months after date of retirement
Notify the Pension Fund of outcome of Tier 3 ill health review.	Immediately following decision by IRMP
Appoint person for stage 1 of the pension dispute process and provide full details to the Pension Fund	Within 30 working days of joining the Pension Fund or following the resignation of the current "appointed person"
Enrol and notify the Pension Fund of a scheme member's election to move into the 50:50 scheme	From the next pay period following receipt of the members election form
Enrol a "50:50 scheme member" back into the full scheme and notify the Pension Fund.	In line with an employer's re-enrolment date for Auto enrolment purposes
Comply with auto-enrolment from the prescribed staging date, as required under Pensions Regulations and advise the Pension Fund of the date.	From the employers staging date.

## **MONITORING PERFORMANCE AND COMPLIANCE**

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Ensuring compliance with the Scheme regulations and this Administration Strategy is the responsibility of the Pension Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

### **Audit**

The Fund is subject to an annual external audit of its financial accounts. In addition the Fund is subject to internal audits of its processes and internal controls. Both the Administering Authority and scheme employers are expected to comply with requests for information from internal and external audit in a timely manner.

### **Performance monitoring**

The Pension Fund monitors performance against agreed Service Levels. Administration performance and the performance of scheme employers against the standards set out in this document are incorporated into appropriate reporting schedules.

### **Annual report on the strategy**

The Scheme regulations require the Pension Fund to undertake a formal review of performance against the Administration Strategy on an annual basis. Such report to be incorporated within the Fund Annual Report and Accounts.

## **POLICY ON CHARGING EMPLOYERS FOR POOR PERFORMANCE**

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The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the poor level of performance of that scheme employer. Where a fund wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost
- The amount of the additional cost incurred
- The basis on how the additional cost was calculated
- The provisions of the Administration Strategy relevant to the decision to

give notice.

### **Circumstances where costs might be recovered**

It is the policy of the Pension Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the poor performance of any scheme employer.

In the case of scheme employers that have been admitted to the Scheme as the result of an "outsourced" contract (formerly known as Transferee Admission Bodies (TAB)), the originating employer will retain overall responsibility for ensuring that the scheme employer complies with the requirements of the Pension Fund. This includes the payment of charges levied against the TAB.

Scheme employers that have outsourced their payroll will be responsible for the third party providers' performance in relation to the tasks set out in this Administration Strategy. This requires that scheme employers will be responsible for payment of any charges levied for underperformance by that third party provider.

The circumstances where such additional costs will be recovered from the scheme employer are:

- failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy
- failure to deduct and pay over correct employee and employer contributions to the Pension Fund within the stated timescales
- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator, Pensions Ombudsman or other regulatory body.

### **Approach to be taken by the Pension Fund**

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of poor performance, provide the necessary training and put in place appropriate processes to improve the level of service delivery in the future.

The deadline for the payment of contributions and submissions of data are outlined in this Administration Strategy. For every instance of late payment of contributions or late or non-submission of a monthly data, scheme employers will receive written notice of the area(s) of poor performance and notice that charges will be levied in accordance with the charging scale set out in this document. An invoice will then be issued to the scheme employer.

For other instances of poor performance, the process for engagement with scheme

employers will be:

1. Write to the scheme employer, setting out area(s) of poor performance and offer training.
2. If no improvement is seen within one month, or following training no improvement is seen, or no response is received to the initial letter, the scheme employer will be contacted by representatives of the Pension Fund to discuss the area(s) of poor performance and to agree an action plan to resolve them. In cases where the scheme employer has been admitted to the fund via an Admission Agreement, then where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.
4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Pension Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document.

### **Charging scales for administration**

The table below sets out the charges which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. This reflects the additional administration involved in securing payment of sums due to the Pension Fund and submission of required data and information.

<b>Item</b>	<b>Charge</b>
Failure to remit monthly payment of employee and employer contributions by the 19 <sup>th</sup> of the month following deduction.	Interest in line with the scheme regulations*
Late or non-provision of monthly schedule of contributions paid, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 12 <sup>th</sup> of the month following deduction of contributions (or previous working day if the 12 <sup>th</sup> were to fall on a weekend).	£50 per occasion
Underpayment of employee or employer contributions which were due by the 19 <sup>th</sup> of the month following deduction.	Interest in line with the scheme regulations*

Late or non-provision of monthly data collection files, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 6 <sup>th</sup> of the month following deduction of contributions. Where this cannot be reconciled within the month and/or relates to an employer who is persistently late then the charges identified will be levied.	£250 plus £100 for every month the information is late
Late or non-provision of starter information Via next monthly data collection portal following admission of new employee.	£50 for every month the information is late or not received via the next monthly data collection portal following admission of new employee.
Late or non-provision of leaver information	In respect of leavers £50 for every case where the information is more than 1 month late from date of leaving or not received via the next monthly data collection portal.  In respect of retirements information received later than within 5 working days before retirement date would be deemed 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.

## CONTINUOUS IMPROVEMENT

The Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service.

## CONSULTATION AND REVIEW PROCESS

In preparing this Administration Strategy the Fund must consult with all scheme employers with active contributors in the Pension Fund. The strategy will be reviewed where there are significant changes to the Scheme regulations or Pension Fund policies. Scheme employers will be consulted before any changes are made to this document





## Lancashire Local Pension Board

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: (All Divisions);
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### Appeals Update

Contact for further information: Colin Smith, 01772 534826, Technical Advisor,  
Lancashire County Pension Fund, [Colin.Smith@lancashire.gov.uk](mailto:Colin.Smith@lancashire.gov.uk)

#### Executive Summary

This report provides an update and broad analysis of appeals received under the Internal Disputes Resolution Procedure for the period 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020.

#### Recommendation

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

### Background and Advice

The Local Government Pension Scheme's rules set out a formal procedure to resolve disagreements. This is called the Internal Dispute Resolution Procedure (the Procedure). Specifically the rules for the appeal process are set out in the Local Government Pension Scheme Regulations 2013 within regulations 72 to 79.

The Procedure has 2 stages. Stage 1 is dealt with by the body who made the initial decision (or omission of a decision) that is in dispute. This will normally either be the scheme employer or the pension administrators.

If the disagreement is not resolved at stage 1, the individual can refer it to the Pension Fund for a decision at stage 2. The nominated Appeals Officer for reviewing stage 2 appeals is Colin Smith, Technical Advisor for the Lancashire County Pension Fund.

### Overview of stage 1

The right to make a stage 1 complaint is time limited. Generally, the applicant has 6 months from the decision under dispute. The employer will nominate a person to determine stage 1 complaints known as the adjudicator. The adjudicator should provide their written decision within 2 months (although if there are specific reasons to do so they could send a letter extending and revising this deadline).

## Overview of stage 2

The applicant can ask the Pension Fund to take a fresh look at their complaint if they are not satisfied with the adjudicator's stage 1 decision, or the applicant has not received the stage 1 decision letter within certain deadlines.

The decision at stage 2 must be given within 2 months (although again if there are specific reasons to do so a letter can be sent extending and revising this deadline). If the applicant is still unhappy following the stage 2 decision, they can take their case to The Pensions Ombudsman for a formal determination provided they do so within 3 years of the event that gave rise to the initial complaint.

## Analysis of appeals – 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020

In general the large percentage of appeal cases remains those linked to ill health issues, whether this is a dispute with the level awarded to the scheme member or where ill health retirement has been determined by the employer not to be appropriate for the scheme member.

It is noticeable that a larger percentage of cases are now being dismissed at both stage 1 and 2 of the appeal process. This reflects, in part, to the support being offered by the Local Pensions Partnership and the Lancashire County Pension Fund team to scheme employers, particularly around the processes for ill health retirement.

A full breakdown of the case types and outcomes are set out below:

### Stage 1 cases

Type of Case	Total	Breakdown
Received	28	11 - Ill-health 4 - combining/aggregation of service 3 - Death benefits 1 - Member data/Additional pension contributions 2 - Transfer 1 - Re-employment 1 - Retirement benefits 2 - Co-habiting partners benefits 1 - Refund of contributions 2 – Scheme membership
Upheld	3	2 – Combining/aggregation of service 1 - Ill-health
Dismissed	24	10 - Ill-health 2 - Transfer 1 - Re-employment 2 - Co-habiting partner benefits 2 – Combining/aggregation of service 1 - Refund

		1 - Retirement benefits 2 – Death benefits 1 – Member data/Additional pension contributions 2 – Scheme membership
Outstanding	1	1 – Death benefits

### Stage 2 cases

Type of Case	Total	Breakdown
Received	10	4 - Ill-health 1 - Member data/Additional pension contributions 1 – Child benefit overpayment 1 - Re-employment 1 – AVC transfer payment 1 – Retirement benefit reductions 1 – Re-employment
Upheld	0	
Dismissed	10	
Outstanding	0	

### 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

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: (All Divisions);
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### **The Governance Policy Statement**

(Appendix 'A' refers)

Contact for further information:

Mukhtar Master, Governance & Risk Officer, Lancashire County Pension Fund  
(01772) 5 32018 Mukhtar.Master@lancashire.gov.uk

#### **Executive Summary**

Local Government Pension Scheme (LGPS) regulations require all administering authorities to publish a governance policy statement which sets out how the council discharges its responsibilities in response to the regulatory requirements.

The governance policy statement for the Lancashire County Pension Fund has been reviewed and updated – see Appendix 'A'.

#### **Recommendation**

The Board is asked to note the revised governance policy statement.

#### **Background and Advice**

Local Government Pension Scheme (LGPS) regulations require all administering authorities to publish a governance policy statement which sets out how the council discharges its responsibilities in response to the regulatory requirements.

The policy statement meets statutory requirements as set out in Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013.

It also takes account of the guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) entitled 'Local Government Pension Scheme governance compliance statement statutory guidance', the basic principles of which are accountability and transparency achieved by setting clear responsibilities and appropriate reporting mechanisms.

The purpose of the document is to maintain, publish and keep under review a written statement setting out:

- whether the Fund delegates its functions, or part of its functions under these regulations to a committee, a sub-committee or an officer of the authority;
- the terms, structure and operational procedures of any delegation;
- whether such a committee or sub-committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying;
- details of the terms, structure and operational procedures relating to the Local Pension Board.

The document is reviewed and updated annually.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

Effective governance arrangements are vital to ensure appropriate oversight and management of the pension fund.

## **Local Government (Access to Information) Act 1985**

### **List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



# Governance Policy Statement

Updated January 2021

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# Introduction

1. This is the Governance Policy Statement of Lancashire County Pension Fund, administered by Lancashire County Council, the administering authority. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Statement under regulation 55 of the LGPS Regulations 2013.
2. This statement has been prepared by the administering authority in consultation with appropriate interested persons.

## Purpose of the Governance Policy Statement

3. The regulations regarding governance policy statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:
  - (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
  - (b) if the authority does so—
    - (i) the terms, structure and operational procedures of the delegation,
    - (ii) the frequency of any committee or sub-committee meetings,
    - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
  - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
  - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4)

4. Certain functions set out in the statement are not specific to the Pension Fund but are the wider responsibility of the County Council as an employing authority and are included within the statement for completeness.

## **Governance of the Lancashire County Pension Fund**

5. Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the council's constitution. The Pension Fund Committee reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Pension Fund.

## **The Pension Fund Committee (Non-executive committee)**

See Link:

<https://council.lancashire.gov.uk/documents/s174966/Part%202%20-%20Article%207%20Other%20Committees%20of%20the%20Council%20-%20Oct%202020.pdf>

## **Pension Fund Committee – Scheme of Delegation Arrangements**

All of the following:

1. Matters reserved to Full Council;
2. Matters reserved to the Employment Committee;

### 3. Matters reserved to Officers;

Can be found by clicking the following link:

<https://council.lancashire.gov.uk/documents/s174966/Part%20%20-%20Article%207%20Other%20Committees%20of%20the%20Council%20-%20Oct%202020.pdf>

## Investment Panel

See Link:

<https://council.lancashire.gov.uk/documents/s174966/Part%20%20-%20Article%207%20Other%20Committees%20of%20the%20Council%20-%20Oct%202020.pdf>

Note – Investment Panel information can be found after the Pension Fund Committee section.

## Pension Board of the Lancashire County Pension Fund

See Link:

<https://council.lancashire.gov.uk/documents/s174966/Part%20%20-%20Article%207%20Other%20Committees%20of%20the%20Council%20-%20Oct%202020.pdf>

# Compliance with Good Practice in Engagement and Representation

The Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

A number of training sessions are held for members of the Pension Fund Committee each year, covering all aspects of funding, investments, Scheme management and administration and are facilitated by an appropriate Officer, Investment Manager or Fund Actuary. In addition Committee members are encouraged to attend appropriate external courses and conferences and report back to the Committee on their learning from these events.

Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989.

On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989). Membership of the Lancashire Pension Fund Committee is set out on page 2 of this statement DCLG is committed to ensure that all LGPS committees operate consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy Statement, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by DCLG, and where an authority has chosen not to comply, to state the reasons why. The Fund's statement is set out at Appendix I.

Lancashire County Council is committed to the widest inclusion of all stakeholders in respect of consultation and communication outside of the formal governance arrangements. The arrangements include;

#### With Employing Authorities

The ratio of contributors from the various employing authorities in the Lancashire County Pension Fund may be analysed as follows

Scheduled bodies 86%

Admitted Bodies 14%

Lancashire County Council hosts an annual Employer Forum targeted at the Chief Officers of all employing authorities. At this forum Chief Officers are briefed on current funding, fund performance and actuarial matters including the latest valuation. Any other topical pension fund matters are also raised at this forum. In December of actuarial valuation years, a forum is held between the Fund Actuary and the Fund Employers to discuss the outcome of the actuarial valuation and the reasons for proposed contribution changes and how they will be applied.

All employing authorities are kept abreast of events, such as proposed changes in the regulations and their implications, and they are encouraged to get in touch if they have questions.

In addition to the briefings outlined above, Lancashire County Council holds an annual Practitioners Conference. The opportunity is taken at these meetings to brief attendees on the investment side of the scheme as well as practical administration issues.

Communication is covered in detail in the Fund's Communication Strategy Statement.

Lancashire County Council also provides an employer training service to ensure that Fund employers, particularly payroll and HR staff are aware and conversant with their obligations as employing authorities and have a sound understanding of LGPS regulation and administration.

#### With Employees

Lancashire County Council provides all members of the scheme with an annual Pensions Newsletter, which includes a summary of the annual report and financial summary of the

scheme. Lancashire County Council's intranet and internet web site includes the following fund documents;

- Full annual report
- Statement of Investment Principles
- Funding Strategy Statement

In addition various documents are available on Lancashire County Council's intranet and internet site including, the LGPS Guide, latest news updates, and other information relating to the Scheme and Fund. Lancashire County Council maintains a working relationship with the unions. The County Council's Joint Negotiating and Consultative Forum may discuss pension issues at its meetings, and invites Pensions and/or HR representatives to discuss current issues. Trades Unions are consultees of the Government in their own right in the same way as employers and LGPS Administering Authorities. In addition to the above the LGPS Administration Regulations 2008 includes regulation 65, which sets out the provision for Administering Authorities to prepare a written statement of 'its Pensions Administration Strategy'.

# Appendix 'A'

## Appendix 'A' - Lancashire County Pension Fund Governance Compliance Statement

Principle		Compliance
A. Structure	<p>(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council</p> <p>(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1)</p> <p>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</p>	<p>✓</p> <p>Partial (see Note 1)</p> <p>✓</p> <p>✓</p>
B. Representation	<p>(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</p> <p>These include:</p> <p>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)</p> <p>(ii) scheme members (including deferred and pensioner scheme members)</p> <p>(iii) independent professional observers (2)</p> <p>(iv) expert advisers (on an ad hoc basis)</p>	<p>Partial (see Notes 1 and 2)</p>

C. Selection and Role of Lay Members	(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all time.)	✓
D. Voting	(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓
E. Training/Facility time/expenses	<p>(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p> <p>(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</p>	<p>✓</p> <p>✓</p>
F. Meetings – Frequency	<p>(a) that an administering authority's main committee or committees meet at least quarterly.</p> <p>(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p> <p>(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	<p>✓</p> <p>✓</p> <p>✓</p>



G. Access	(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
H. Scope	(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓
I. Publicity	(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	✓

#### Notes – Reasons for partial compliance

1) Unitary Councils, District Councils and Further and Higher Education employers, are represented. Other admitted bodies only represent 9% of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. Trade Unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

2) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisers and officers and it is not apparent what added value such an appointment would bring.



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected:  
(All Divisions);

### LCPF Compliance with the requirements of the Pension Regulator

(Appendix 'A' refers)

Contact for further information: Mukhtar Master, Governance & Risk Officer,

[Mukhtar.Master@lancashire.gov.uk](mailto:Mukhtar.Master@lancashire.gov.uk)

#### Executive Summary

The Pension Regulator published its Code of Practice No. 14 in April 2015 for public service pension schemes.

A compliance statement was presented to the Pension Board in January 2020. Since then the statement has been reviewed and updated (see Appendix 'A') and indicates that the Lancashire County Pension Fund is compliant with the requirements of the Code of Practice No. 14.

#### Recommendation

The Board is asked to consider and comment on the revised compliance statement attached at Appendix 'A'

#### Background and Advice

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

The Code of Practice 14 covers the following 4 main sections with the associated sub-sections:

1. Governing your scheme:
  - a. Knowledge and understanding required by pension board members;
  - b. Conflicts of interest and representation;
  - c. Publishing information about schemes.
2. Managing risks:
  - a. Internal Controls;
3. Administration:
  - a. Scheme record-keeping;
  - b. Maintaining contributions;

- c. Providing information to members;
4. Resolving issues:
- a. Internal dispute resolution;
  - b. Reporting breaches of the law.

Overall compliance against the Code of Practice 14 is good, as summarised in the compliance statement (see Appendix 'A'). There have been small but steady improvements in many of the specific areas covered by the code of practice, as compared to last year's compliance statement. None of the specific improvements warrant special mention in themselves, however are indicative of an overall improving picture.

### **Consultations**

Those consulted included the Local Pensions Partnership (Admin, Communications and Compliance), Pension Fund finance and Pension Fund Technical Advisor.

### **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
N/A		
Reason for inclusion in Part II, if appropriate		
N/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"> <li>• the rules of the scheme, and</li> <li>• any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.</li> </ul> <p>A member of a pension board must have knowledge and understanding of:</p> <ul style="list-style-type: none"> <li>• the law relating to pensions, and</li> <li>• any other matters which are prescribed in regulations.</li> </ul>	<ol style="list-style-type: none"> <li>(1) Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding [38].</li> <li>(2) Schemes should designate a person to take responsibility for (1) [38].</li> <li>(3) Schemes should prepare and keep an updated list of documents with which they consider pension board members need to be conversant [46]</li> <li>(4) Clear guidance on the roles and responsibilities and duties of boards and its members should be set out in scheme documentation [47].</li> <li>(5) Schemes should assist pension board members to determine the degree of knowledge and understanding needed [48].</li> <li>(6) Schemes should provide board members with the relevant training and support that they require [55].</li> <li>(7) Schemes should offer pre-appointment training or arrange for mentoring by existing board members [56].</li> <li>(8) Pension board members should undertake a personal training needs analysis [57].</li> <li>(9) Learning programs should be flexible [58].</li> <li>(10) Schemes should keep appropriate records of the learning activities of board members [60].</li> </ol>	<p>The Fund's existing training policy has been amended to reflect the requirements for Knowledge and Understanding. This is reviewed regularly.</p> <p>The Fund's Governance &amp; Risk Officer 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 will be assessed and developed in line with Board member needs. Training needs will be identified in a number of ways including self-identified (by Board members) and those identified or suggested by the Fund's officers.</p> <p>Regular Workshops are arranged to meet training needs. Additionally, the Fund have purchased access to the Intuition Know-How Online Library which provides online training modules covering all aspects of pension's information.</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>

	<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"> <li>• that a person to be appointed as a member of the pension board does not have a conflict of interest and</li> <li>• from time to time, that none of the members of the pension board has a conflict of interest.</li> </ul> <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"> <li>(1) The 'Seven principles of public life' should be applied to all board members [70].</li> <li>(2) Schemes should incorporate these principles into any codes of conduct (and across their policies and processes) and other internal standards for boards [70].</li> <li>(3) Take professional legal advice when considering issues to do with conflict of interests [74].</li> <li>(4) Schemes should ensure that there is an agreed and documented conflicts policy and procedure which should be kept under regular review [76].</li> <li>(5) Schemes should cultivate a culture of openness and transparency [78].</li> <li>(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].</li> <li>(7) Board members should know how to manage potential conflicts [78].</li> <li>(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].</li> <li>(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].</li> <li>(10) All disclosed interests should be recorded [81].</li> <li>(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].</li> </ol>	<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 recorded in the Minutes.</p> <p>The Register of Interests will be reviewed on an annual basis and all Board Members receive training at an induction session prior to their first Board meeting. Advice on potential conflicts can be sought from Democratic Services officers at any time.</p>
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	<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"> <li>• Board membership ;</li> <li>• Board terms of reference;</li> </ul>

		<p>The information must include:</p> <ul style="list-style-type: none"> <li>• who the members of the pension board are</li> <li>• representation on the board of members of the scheme(s), and</li> <li>• the matters falling within the pension board's responsibility.</li> </ul>	<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"> <li>• A link to the Lancashire County Council website detailing agendas and minutes of the Board's meetings</li> </ul> <p>The Fund publishes all statutory documents on the LPPA Member website <a href="http://www.lppapensions.co.uk">www.lppapensions.co.uk</a></p> <p>The website content is reviewed at least annually and updated accordingly, as are other media such as leaflets/guides etc. All material follows a formal sign off and approval process to ensure accuracy</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>(6) Schemes should keep appropriate records to demonstrate compliance [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 in collaboration with LPP and presented to the Board and Pension Fund Committee every 6 months.</p> <p>The risk register categorises risks into five primary groupings. Each risk is then rating on the basis of likelihood and impact after assessing the mitigating factors which are in place.</p> <p>The Fund works collaboratively with the Local Pensions Partnership (LPP) to identify new risks and ensure that appropriate mitigation is in place for all risks, especially those rated as being a high risk to the Fund.</p> <p>Some level of financial risk is both known and tolerated to generate the required levels of return. This level of 'risk tolerance' is set out in the Investment Strategy Statement (ISS).</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>(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</p>	<p>The risk 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 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. These audits have led to improved practice.</p> <p>Detailed monitoring takes place monthly in respect of investment performance and associated governance/control issues.</p> <p>All incidents are logged on an incident log and are investigated.</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> <p>Internal data cleansing regimes apply, but just as importantly, significant resource is dedicated to</p>
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			<p>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>supporting employers to ensure they can comply with the fund's data requirements.</p> <p>Whilst data quality is important, maintaining it comes at a cost: for example the fund only marginally meets the Regulator's data quality targets simply due to the numbers of members for whom it does not have up to date data – this largely applies to deferred members who cannot be traced, despite continued efforts. LPPA now engage Target, a company that specialises in tracing members with whom contact has been lost. This is expected to improve the data quality scores. There is a need to balance the cost of chasing such deferred members against the benefit of 100% accuracy of data, and choices need to be made accordingly.</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"> <li>• Information governance training forms part of induction and annual review;</li> <li>• Member communications are reviewed and fine-tuned in the light of feedback</li> <li>• The Fund is putting in place processes and resources to assess employer covenant and proactively manage the outcome of such assessments.</li> </ul>
Administration	Scheme record-keeping [122 – 146]	<p>Scheme managers must keep records of information relating to:</p> <ul style="list-style-type: none"> <li>• member information</li> <li>• transactions, and</li> <li>• pension board meetings and decisions</li> </ul> <p>Schemes must ensure that processes that are created to manage scheme member data</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>Details of Pension Board meetings are available via the Fund's website <a href="http://www.lancashire.gov.uk/council/finance/lancashire-pension-fund/">www.lancashire.gov.uk/council/finance/lancashire-pension-fund/</a></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. LPPA is working on implementing electronic data quality reporting</p>

		<p>meet the requirements of the Data Protection Act 1998 and the data protection principles.</p>	<ul style="list-style-type: none"> <li>(4) Schemes should require employers to provide them with timely and accurate data [128 and 130].</li> <li>(5) Schemes should seek to ensure that employers understand the main events which require information to be passed to the scheme [129].</li> <li>(6) Schemes should be able to trace the flow of funds into and out of the scheme and reconcile these against expected contributions and scheme costs [131].</li> <li>(7) In respect of keeping information about the pension board, schemes should also keep records of key discussions [133].</li> <li>(8) Records should be retained for as long as they are needed [135].</li> <li>(9) Schemes should have in place adequate systems and processes to enable the retention of records for the necessary time periods [135].</li> <li>(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].</li> <li>(11) Schemes should carry out a data review exercise at least annually [138].</li> <li>(12) Schemes should continually review their data [138].</li> <li>(13) Upon change of admin system, schemes should review and cleanse data records [140]</li> <li>(14) Schemes should put in place a data improvement plan where poor quality or missing data is identified [141].</li> <li>(15) Schemes should reconcile member records with information held by the employer [142].</li> </ul>	<p>routines, covering employers' and scheme data quality.</p> <p>LPPA are undertaking an ongoing data cleanse activity. This will include working with employers to track down missing leaver forms.</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> <p>LPPA are compliant with newly introduced GDPR regulation</p> <p>Fund flows into and out of the scheme are reconciled on an aggregate basis. Work is in hand to further refine this process, at a detail level.</p> <p>The Fund has a policy for chasing and tracing missing or inaccurate member records. There are a significant number of deferred members whose current details are not known. The service takes a proportionate and risk-based approach in using resource to trace and chase such records.</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. An engagement team works with employers to ensure the importance of data accuracy and record keeping is communicated.</p> <p>The Fund's Pensions Administration Strategy Statement (PASS) outlines mechanisms and deadlines for employers' submission of data to the fund. A 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>
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	<p>Maintaining contributions [147 – 186]</p>	<p>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 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</p>	<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> <ul style="list-style-type: none"> <li>(i) Developing a record to monitor the payment of contributions.</li> <li>(ii) Monitoring the payment of contributions.</li> <li>(iii) Managing overdue contributions.</li> <li>(iv) Reporting payment failures which are likely to be of material significance to the regulator [152].</li> </ul> <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</p>	<p>Established processes are in place to manage employer and employee contributions due, and their payment.</p> <p>With the exception of one employer, all employer and employee contributions are received by the Fund via a regular direct debit collection.</p> <p>Employer and employee contributions are monitored and collected through a bespoke web-based system known as EPIC. This electronic interface has been used for some years by the Fund's administration team and the functionality to monitor and collect contribution income was added approximately 3 years ago.</p> <p>Employers, or their 3<sup>rd</sup> party payroll providers where applicable, are required to log-in to the password protected system and input, on a monthly basis, data at a total employer level. The finance team does not have access to, nor does it require, individual member data through the EPIC system. Data required as part of this monthly process is in respect of pensionable pay for the period, employer and employee contributions analysed between regular, deficit and other contributions – with disclosure of amounts in respect of the 50:50 option separately identified.</p> <p>There are standard and non-negotiable deadlines around the EPIC process. Little flexibility is available since the direct debit process must be run to the regulatory deadline of 19<sup>th</sup> of the month.</p> <p>The system categorises submissions from employers into different 'statuses' for example –</p>

		<p>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>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 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</p>	<p>'incorrect % applied to pensionable pay', 'missing contributions', 'adjustments'. The finance team will review all entries in each status and take the appropriate action to ensure that the correct amounts are collected each month. Any breaches are included on the Fund breaches log. Procedures for follow-up and escalation have been established.</p> <p>A reconciliation between the EPIC system, the Oracle financial system and the Altair pension payroll is performed on a monthly basis. These reconciliations are designed to ensure accuracy and consistency of reporting and should also highlight any missing or late contributions along with any under / over payments.</p> <p>The Fund's policy is to collect contributions by direct debit. If a contribution remittance advice is not received from an employer via EPIC in line with the direct debit deadline then the Fund will collect an amount equal to the previous month. This maintains cash flow to the Fund but requires confirmation from the employer in the following month and will usually result in an adjustment to the following month's collection remittance in order to correct the actual contributions as a percentage of pensionable pay. A record is maintained of any contributions collected as a result of this back-up procedure.</p> <p>A procedure has been established to ensure that repeat failure to submit remittances on time is recorded on the Fund breaches log and remedies applied as necessary – whether this be through application of financial penalties or in the case of admitted bodies, contractual penalties can be applied. System invoices are generated as a result of the direct debit process. These invoices are not sent to employers but are recorded in the Oracle financials system. Non-payment will result in outstanding debt which will be identified and</p>
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			<p>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>chased by either the Fund or the LCC income and debt management team.</p> <p>Any returned or failed direct debits are notified to the Fund finance team by the LCC banking team and are followed up immediately with employers and providers who will be asked to pay immediately by BACS if necessary or other remedies may be applied. Again, any ongoing payment issues should be recorded on the breaches log.</p> <p>All employers are monitored in the same way. E-mail correspondence between the finance team and employers/providers is retained and information extracted from EPIC into excel is annotated for relevant comments regarding discussions and action taken.</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"> <li>(1) Benefit statements [188 – 195]</li> <li>(2) Other information about scheme administration [196 – 197].</li> <li>(3) Who is entitled to information [198 – 199]</li> <li>(4) When basic scheme information must be provided [200 – 201]</li> <li>(5) What information must be disclosed on request [202]</li> </ol>	<ol style="list-style-type: none"> <li>(1) Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension [207].</li> <li>(2) Information should be clear and simple to understand as well as being accurate and easily accessible [207].</li> <li>(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 ensure that their member data are up-to-date [208].</li> <li>(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].</li> <li>(5) Schemes may encounter situations where the time period for providing information takes longer than expected.</li> </ol>	<p>LPPA uses a wide range of communications media such as:</p> <ul style="list-style-type: none"> <li>• An electronic self -service "my pension online" facility and the LPPA member website, both of which allow members to access pensions information 24/7</li> <li>• LPPA have commenced publishing certain information on line where possible i.e. P60s are published online.</li> <li>• Annual benefit statements that are produced annually and made available to all members via the online facility. Members who choose to opt out of e communication are provided with a paper copy.</li> <li>• Face to face / video presentations to groups and one to one appointments at pension surgeries are offered to all members</li> </ul>

		<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>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>	<ul style="list-style-type: none"> <li>• A dedicated helpdesk and email facility are available to members</li> <li>• Whilst not promoted, face to face member support is available via Preston based premises (or via video conferencing in the current working environment).</li> <li>• Experienced caseworkers can be contacted for more technical support (alongside an internal technical team).</li> </ul> <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 member website at: <a href="http://lppapensions.co.uk">lppapensions.co.uk</a></p> <p>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"> <li>• for active members the service contacts the employer for up to date details;</li> <li>• for pensioner members and deferred members a specialist tracing company, Target, is engaged.</li> </ul> <p>LPPA operate a member satisfaction survey. As part of this efforts are made to collate email and telephone contacts for all members. Particularly personal data which may be needed at retirement (instead of work data).</p> <p>Receipt of emails to the pensions helpdesk is confirmed automatically; paper correspondence is not acknowledged, but response times form part of the service's SLA and are monitored accordingly.</p>
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				Details of service standards, targets and processes are published on the Funds website in order to manage member's expectations.
Resolving Issues	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"> <li>(1) In terms of the LGPS, the requirements relating to IDRP are prescribed in the LGPS regulations.</li> <li>(2) Schemes should publish and make IDRP time limits readily available [225].</li> <li>(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]</li> <li>(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].</li> <li>(5) Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented [233].</li> <li>(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].</li> <li>(7) Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet [235].</li> <li>(8) Schemes should make their arrangements accessible to potential applicants, for example by publishing them on a scheme website [235].</li> </ol>	<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. 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)  <a href="http://lppapensions.co.uk">lppapensions.co.uk</a></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 pensions 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 covers acknowledgements and details of extensions to time limits. Procedures for stage 2 are regularly updated.</p> <p>The right to appeal a decision under IDRP is part of all LPPA 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>(9) Schemes should ensure they make the following information available to applicants:</p> <ul style="list-style-type: none"> <li>(i) The procedure and processes to apply for a dispute to be resolved;</li> <li>(ii) The information that an applicant must include;</li> <li>(iii) The process by which any decisions are reached; and</li> <li>(iv) An acknowledgement once an application has been received [239].</li> </ul>	<p>A log of all appeal cases is kept detailing dates when cases are received, acknowledged and determined.</p>
	<p>Reporting breaches of the law [241 – 275]</p>	<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"> <li>• a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with</li> <li>• the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Schemes should be satisfied that those who are responsible for reporting breaches are made aware of the legal requirement and the Code [244].</li> <li>(2) Training should be provided for scheme managers and pension board members [244].</li> <li>(3) All others under a statutory duty to report should ensure they have sufficient level of knowledge and understanding to fulfil that duty [244].</li> <li>(4) Those with a statutory duty to report should establish and operate appropriate and effective procedures in regards to reporting breaches [245].</li> <li>(5) Those procedures should be in accordance with and take into account paragraphs 245 to 262 of the Code.</li> <li>(6) Reports made to the Regulator should be submitted in accordance with paragraphs 263 to 271.</li> </ul>	<p>The Fund have a Breaches Policy in place.</p> <p>Training on Code of Practice 14 and GDPR has been given to all Board and Committee members. All others under a 'statutory duty' to report have also received relevant training.</p> <p>Systems are now in place to record and report breaches for contributions and data;</p> <p>When and how breaches are reported to the Pension Regulator is documented within the procedures.</p>



## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: (All Divisions);
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## **Lancashire County Pension Fund Breaches Report**

Contact for further information: Mukhtar Master, 01772 532018, Governance & Risk Officer, Mukhtar.Master@lancashire.gov.uk

### **Executive Summary**

This report provides the Board with a summary of the Lancashire County Pension Fund Breaches Log for the period 1<sup>st</sup> October 2020 to the 31<sup>st</sup> December 2020.

The report provides breach information for contributions, data and administration breaches. Information on data and administration breaches is provided by the Local Pensions Partnership Administration (LPPA).

### **Recommendation**

The Board are asked to note the content of this report.

### **Background and Advice**

The Lancashire County Pension Fund has policy and procedures in place to effectively record and, if necessary, report breaches to the Pension Regulator.

Practical guidance in relation to the legal requirements are set out in the Pension Regulator's Code of Practice 14.

Code of Practice 14 covers areas such as:

- Governing your scheme;
- Managing Risks;
- Administration;
- Resolving Issues.

The Administration section covers aspects such as:

- Scheme record keeping;
- Maintaining Contributions;
- Providing information to members.

The Lancashire County Pension Fund, in line with the breaches policy and supported by the Local Pension Partnership, have established a log to record all incidents which fall outside of the requirements of Code of Practice 14.

### Contribution Breaches:

In the period October to December 2020 (December contributions have not been collected at the time of writing this report) there has been no breach in contribution payments.

There were no breaches in Quarter 2 (Jul-Sep 2020) and there were no breaches in the previous quarter also.

There were a number of incidents recorded in the period which have resulted in corrective action being taken. A total of 70 employers failed to submit contribution figures for Q2 and 48 for Q3\*. They have all been contacted in accordance with the Stage 2 escalation procedure, which ensures that all incidents are corrected swiftly. For Q2, the number of employers which failed to submit contributions represents 6.64% of the total submissions, in monetary value this equates to 0.58% of the total contributions received during the period and for Q3\* this represents 6.89% and 1.05% respectively.

	<b>Q4 Jan-Mar 20</b>	<b>Q1 Apr-Jun 20</b>	<b>Q2 Jul-Sep 20</b>	<b>Q3* Oct-Dec 20</b>
Incidents	61	53	70	48
Breach	1	0	0	0

\* Incomplete – only includes 2 months data.

### Data Breaches:

For the period 1<sup>st</sup> October 2020 to the 31<sup>st</sup> December 2020 there were a total of five data breaches:

October	<ul style="list-style-type: none"> <li>A member was sent a refund and transfer calculation which were intended for another member.</li> </ul>
November	<ul style="list-style-type: none"> <li>A member's address was not updated resulting in post going to the wrong house;</li> <li>A member's Independent Financial Advisor received details relating to the wrong member;</li> <li>an email was sent from LPPA to LCC using the incorrect email address</li> </ul>
December	<ul style="list-style-type: none"> <li>Appropriate data protections checks were not carried out on a phone call, resulting in information being provided to an unauthorised party.</li> </ul>

All data breaches are managed through the Information Governance Team of Lancashire County Council who deemed them not significant enough to warrant reporting to the Information Commissioner.

### Summary Table:

	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21
<b>Data Breaches</b>	6	3	2	2	5

### Administration Breaches:

Local Pensions Partnership Administration have recently developed new systems and processes to assess, log, report and address all breaches related to the administration service which they provide. Code of Practice 14 (COP 14) breaches were previously reported as part of their annual report. The system now provides breach information broken down by COP14 breaches and by operational process breaches by the Local Pension Partnership Administration.

There were six COP14 breaches in the period and no process breaches:

	COP 14 Breach	LPPA PROCESS BREACH	TOTAL
October	2	0	2
November	4	0	4
December	0	0	0
<b>Total</b>	<b>6</b>	<b>0</b>	<b>6</b>

October	<ul style="list-style-type: none"> <li>An estimate was not re-run following the processing of an aggregation, resulting in an incorrect strain cost being provided to the Employer;</li> <li>A quote for a transfer between Lancs LG and Lancs Fire was incorrectly processed as a Club when it should have been non-Club.</li> </ul>
November	<ul style="list-style-type: none"> <li>Two IDRPs cases breached the 4 month timeframe;</li> <li>One transfer exceeded the 3 month timeframe;</li> <li>One breach of internal process following the closure of LPP's Union Street office. Paper copies of AVC statements were inadvertently destroyed. However, scanned copies are still available.</li> </ul>
December	<ul style="list-style-type: none"> <li>N/A.</li> </ul>

None of the breaches were not material or worthy of reporting to the regulator. Corrective action was implemented as soon as the breaches came to light to minimise or prevent future recurrence.

## **Consultations**

The Local Pensions Partnership was consulted with regards to administration and data breaches.

## **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 compliance with the Pension Regulators' Code of Practice 14 – Governance and administration of public service pension schemes.

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

Paper	Date	Contact/Tel
Code of Practice 14 - Governance and administration of public service pension schemes	April 2015	Mukhtar Master 01772 532018

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

## Lancashire Local Pension Board

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: None;
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### 2021/22 Programme of Meetings.

Contact for further information:

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

#### Executive Summary

A proposed 2021/22 programme of meetings for the Lancashire Local Pension Board.

#### Recommendation

The Board is asked to approve the 2021/22 programme of meetings as set out below with all meetings to start at 2.00pm and be held either remotely via Zoom or, subject to Covid-19 restrictions, at County Hall, Preston.

Tuesday 6<sup>th</sup> July 2021

Tuesday 19<sup>th</sup> October 2021

Tuesday 18<sup>th</sup> January 2022

Tuesday 26<sup>th</sup> April 2022

#### Background and Advice

The current programme of meetings for the Lancashire Local Pension Board ends with the meeting on the 20<sup>th</sup> April 2021.

On the 15<sup>th</sup> October 2020 the Full Council approved a 2021/22 programme of meetings for its Cabinet and Committees, including dates for the Pension Fund Committee up to March 2022. As a result consideration has been given to an associated programme of meetings for the Lancashire Local Pension Board and, after consulting with the Chair and the Interim Head of the Pension Fund, the following dates have been agreed, with all meetings to start at 2pm and be held either remotely via Zoom or, subject to any Covid-19 restrictions that may be in operation at the time, at County Hall, Preston.

Tuesday 6<sup>th</sup> July 2021

Tuesday 19<sup>th</sup> October 2021

Tuesday 18<sup>th</sup> January 2022

Tuesday 26<sup>th</sup> April 2022

## **Consultations**

The Chair and Interim Head of the Pension Fund were consulted on the proposed dates and all members of the Board were given advance notice of the dates by email in December 2020.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

Early approval of a programme of meetings for 2021/22 will enable members of the Pension Board to forward plan and minimise the possibility of non-attendance at future meetings.

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

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



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 19 January 2021

Electoral Division affected: None;
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### **Urgent Business - Update on Lancashire County Pension Fund Branding and Website Development**

(Appendices 'A' and 'B' refer)

Contact for further information: Mukhtar Master, 01772 532018, Governance & Risk Officer, [Mukhtar.Master@lancashire.gov.uk](mailto:Mukhtar.Master@lancashire.gov.uk)

#### **Executive Summary**

This report refers to the previously approved branding for the Lancashire County Pension Fund and provides the Board with an update on the development of the dedicated website for the Fund.

#### **Recommendation**

The Board are asked to note the content of this report.

#### **Background and Advice**

##### **Branding**

Lancashire County Pension Fund is one of 90 local funds in England and Wales which make up the national Local Government Pension Scheme (LGPS). As such, the Fund has its own legal status which is separate to that of the administering authority, Lancashire County Council.

Previously the Fund adopted the use of the Lancashire County Council branding and the administration function of the Fund developed its own branding, known as 'Your Pensions Service'.

In June 2019 the Pension Fund Committee considered a report on a proposal to establish a new logo and branding specific to the Lancashire County Pension Fund as attached at **Appendix 'A'** to this report. At the meeting the Head of Fund undertook to check with the branding agency to provide assurance that the proposed typeface and colour scheme complied with current guidance on clear print and accessibility.

After considering the report the Committee resolved: that, subject to confirmation of compliance with current guidance on clear print and accessibility, the proposed new

branding and logo for the Lancashire County Pension Fund, as set out in the Appendix to the report presented, is approved.

With regards to the query raised by Committee all aspects of ensuring ability for dealing with those who have a visual impairment have been addressed as part of the development. The County Councils Communications Team also support in ensuring that this requirement is met.

The decision regarding the new branding and logo was reported to the Pension Board in July 2019 and noted.

## **Website**

Unlike other LGPS Funds in England and Wales the Lancashire County Pension Fund has not had a dedicated website primarily due to the fact that relevant webpages of Fund information were contained within the 'Your Pensions Website' which had been developed by the Fund but was subsequently transferred to LPP Ltd.

At that time the intention was that LPP Ltd would continue to host the Fund webpages pages and would look to have a dedicated area with the Fund branding. However, early in 2019, once it was determined that an area within the LPP website was not possible, the Fund decided to embark on the development of a dedicated website.

The design of the website was carried out by a third party company called Wash Design Ltd, who had already developed the Fund branding.

The website development was to be carried out by BT Lancashire Services (BTLS), which is a requirement for all internal web development and the County Council's Communications Team provided consultancy and support throughout the project.

The BTLS project plan can be found at **Appendix 'B'**.

## **Key Project Points:**

1. The project was initiated on the 6<sup>th</sup> February 2019 and all the steps for initiation had been completed on the 24<sup>th</sup> April 2019;
2. The website build was initiated on the 22<sup>nd</sup> July 2019 and the website was passed to back to the Fund for User Acceptance Testing on the 22<sup>nd</sup> June 2020;
3. BTLS have committed to the completion of the testing and development phase of the website and subsequent 'go-live' by the 25<sup>th</sup> February 2021.

## **Conclusion**

It is clearly evident that the project in itself has taken an unacceptable length of time for completion. It would be unfair to pinpoint any blame for delays in the development because there has evidently been delays from all the relevant stakeholders – as can be seen from the project plan at Appendix B. Also, the onset

of the Covid-19 pandemic, resulted in BTLS prioritising resources elsewhere to meet the needs of an entire workforce transitioning to home-working.

Nevertheless, there are clear lessons that can be learnt from this development experience:

1. Ensure that there is a clear and agreed end date to the project;
2. The website content and design should have been agreed and finalised prior to the development, rather than have an initial agreed design and using a 'prototyping' approach to the development;
3. Separating the designers (Wash Design) and the developers (BTLS), naturally created delays. Local Pensions Partnership Ltd have recently developed a new website and the company which they contracted, was responsible for all aspects and phases of the website development;

This update was requested at the by the Chair following the previous meeting of the Lancashire Local Pension Board. Unfortunately the report was not finalised in time to be included in the agenda when it was published and so it will be presented at the meeting on the 15<sup>th</sup> January 2021 under the item 14 on the agenda - Urgent Business to avoid any further delay.

## **Consultations**

Consultations for the branding and the website have involved the Head of Fund, both the Pension Fund Committee and the Chair, the Leader of Lancashire County Council, Fund officers, Wash Design Ltd, BTLS and the LCC Communications Team.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The Fund have a statutory responsibility to make certain documents and information publicly available and accessible. A dedicated Lancashire County Pension Fund website would facilitate such public access.

## **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



Wash

# Proposition

Say 'pension' and most minds will leap to the end product: the pounds and pence that come each week or month in retirement. But the power of a pension, the promise we offer our members, can't be expressed in numbers.

In some ways, it's about feeling rewarded for your efforts as an employee – getting something back after years of putting something in. In other ways, it's about working together – with the stability that comes from the gathered weight of thousands of members across Lancashire.

Above all, it's about peace of mind. Being part of the Lancashire County Pension Fund is a chance to lay the foundations for later life, building financial security for tomorrow. It's something we can put our trust in, because it's ours – built, funded and managed right here.

# Finances building

The logo mark represents the growth of savings building over time. We have used a vibrant colour palette that have a fresh modern feel that can be mixed with photography that has a relaxed feel.



Lancashire County  
**Pension  
Fund**





Lancashire County  
**Pension  
Fund**





Lancashire County  
**Pension  
Fund**



Lancashire County  
**Pension  
Fund**

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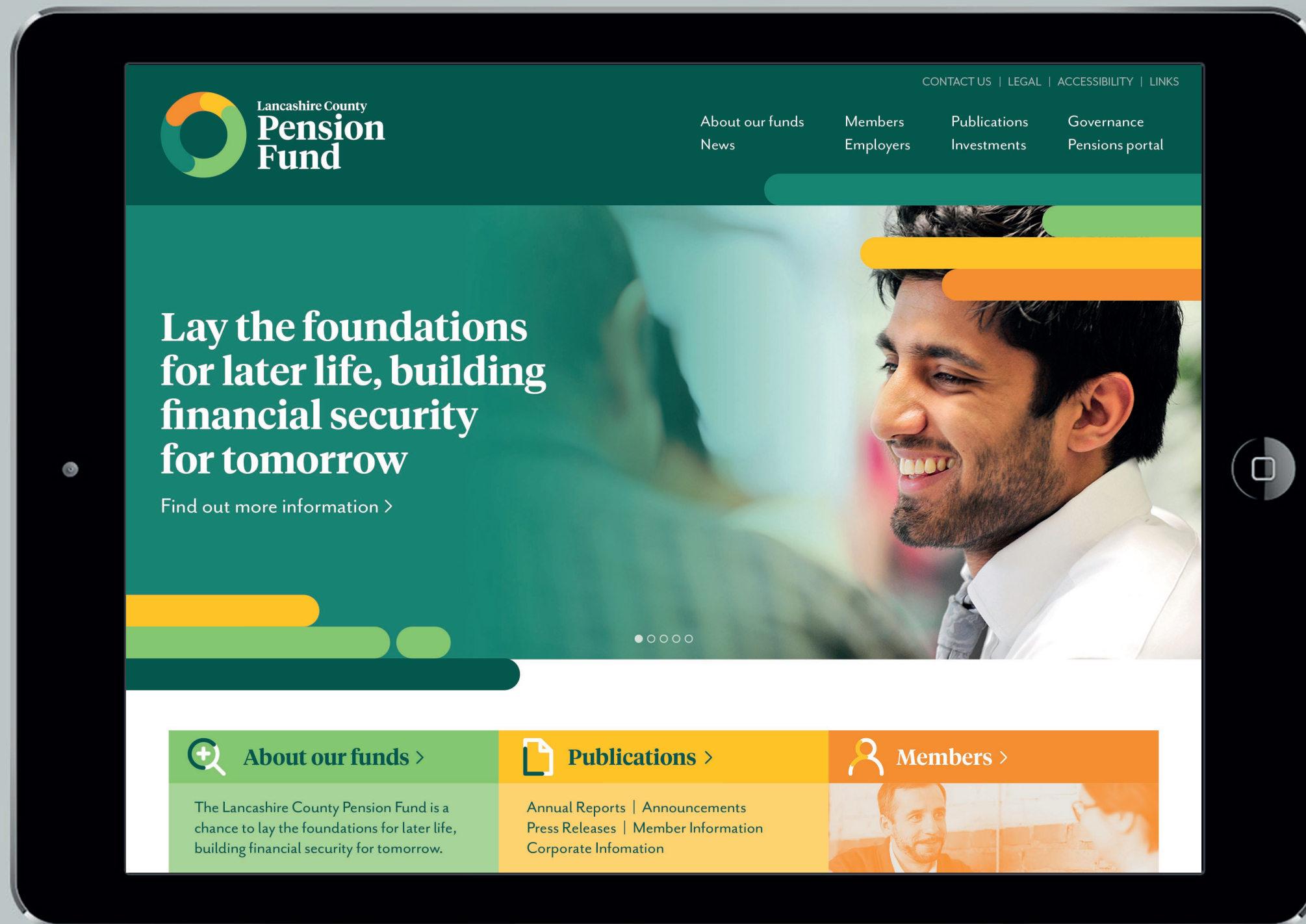




Relaxed people photography with a warm, comforting feeling can be used with the visual identity to add personality to the brand.













## F

## Investment Policy and Performance



### MACRO OUTLOOK – THE LAST 12 MONTHS

2017 was a year of stronger, broad-based economic expansion, which saw world gross domestic product (GDP) increase at the fastest pace since 2011 and roughly 70% of global economies seeing stronger growth compared to 2016. Despite this “synchronised growth” the acceleration in world GDP stemmed predominantly from firmer growth in several developed economies. The cyclical improvements in Argentina, Brazil, Nigeria and the Russian Federation, as these economies emerged from recession, explains roughly a third of global economic growth between 2016 and 2017.

After a couple of years of monetary policy divergence, with the Federal Reserve Bank (FED) continuing to tighten alongside advanced economies’ ongoing accommodative policies, the first steps towards convergence were taken as the Bank of England (BOE) increased interest rates for the first time in almost a decade and the European Central Bank (ECB) scaled back its asset purchase programme.

This year saw a rise in geopolitical risks around the world, from continuing conflicts in Syria and Yemen to rising tensions between the United States (U.S.) and Iran, Russian sanctions, as well as North Korea (amid the latter’s nuclear development programme). Furthermore, an ongoing spat between Qatar and other regional countries including Saudi Arabia increased risks in the Middle East, while trade tensions between U.S. and China raised concerns over the possibility of reciprocal tariffs and other protectionist policies. Despite this backdrop, risk assets performed exceptionally well with global equity indices reaching new highs at the end of 2017.

In the U.S., the economy also expanded at a faster pace in 2017 (full-year growth was at 2.3%), operating close to full employment. The labour market remained strong, with an average 180k new jobs a month, pushing the unemployment rate down to 4.1% from 4.7%. Despite the tightness in the labour market, wage growth only accelerated modestly which together with the FED’s gradual interest rate hikes kept inflation in check. The trade weighted dollar was approximately 6% weaker at the end of 2017 compared to 2016 but has since stabilised in the first quarter of 2018 supported by rising rates, stronger growth and an increased supply of government bonds.

Additional fiscal spending and the recently enacted tax cuts should further support growth in 2018.

In the U.K., the economy continued to slow down (full-year growth was at 1.8%) amid lingering Brexit negotiations, which have weighed on investment and economic activities. Following the 2016 EU referendum, sterling depreciated sharply leading to inflationary pressures and decreased consumer spending. Consumption fared relatively well in the first half of 2017, buoyed by a further reduction in savings and an increase in short-term credit, but was markedly lower in the second half as inflation continued to exceed wage gains. The BOE raised interest rates by 25 basis points in November 2017 for the first time since July 2007, reiterating that only limited and gradual interest rate hikes will follow. Despite this move, monetary conditions have remained broadly accommodative, as the BOE continues with its Quantitative Easing programme and its proceeds reinvestment. Sterling rebounded slightly on a trade weighted basis throughout the year, reflecting gains mainly against the Dollar, Swiss Franc and Chinese Renminbi, while it was approximately 4% weaker against the Euro, its main trading partner.

Over the year, the Fund’s performance was mainly driven by the private equity and real estate assets classes, which strongly outperformed their respective benchmarks. Longer-term (over a 3-year or 5-year horizon) the Fund returns had been strong, comfortably outperforming both its actuarial benchmark and its policy portfolio. The triennial discount rate assumption (the actuarial benchmark) with effect from the 2016 actuarial valuation is an inflation-linked measure, CPI + 2.2% p.a. At the 31 March 2016 valuation this discount rate was 4.4% p.a. and this is reflected as a fixed actuarial benchmark from that date in the table below. Policy portfolio returns reflect the Fund’s long-term strategic asset allocation returns (strategic weights multiplied by a benchmark asset class index).

Period Returns (%)	Years		
	1	3	5
Investment return	4.6	9.1	9.3
Actuarial benchmark	4.4	4.6	5.7
Policy portfolio	3.8	8.0	8.2

### 1 YEAR PERFORMANCE (%) BY ASSET CLASS



### FUND RETURN (%) AS AT 31 MARCH 2018





## 4. Critical Judgements in Applying Accounting Policies

### 4.1 Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward looking estimates and it is necessary to apply judgement to the valuation. Unquoted private equities and infrastructure investments are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

### 4.2 Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 25. This estimate is subject to significant variances based on changes to the underlying assumptions.

### 5. Assumptions Made About the Future and other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the net assets statement date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming year are shown in the following table:

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments	Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012 or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statements totals £1,538.9 m. There is a risk that these investments might be under or overstated in the accounts.
Long-term credit investments	Long-term credit investments are valued as the fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases the underlying investments will be classified as level 3 investments, defined in note 16 as those investments for which valuation involves at least one input which is not based on observable market data.	The market value of long-term credit investments in the financial statements (excluding the investment in Heylo Housing Trust listed separately below) totals £1,364.0m. There is a risk that these investments might be under or overstated in the accounts.
Loans secured on real assets	The Heylo Housing Trust loans are held at the best estimate of market value. The value is based on long term expectations of interest rates, inflation and credit spreads in the housing association sector. Exact market benchmarks for these estimates may not be easily observable.	The market value of housing authority loans to Heylo Housing Trust totals £198.3m in the financial statements. There is a risk that this may be under or overstated.
Indirect property valuations	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £113.3m. There is a risk that these investments may be under or overstated in the accounts.
Actuarial present value of retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercers) is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £450m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £100m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £200m.

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Lancashire County  
**Pension  
Fund**

# BTLS - LCPF Website Project Plan

APPENDIX B

Task Name	Duration	Start	Finish	Predecessors	Resource Names
<b>RFP 31739 Lancashire County Pension Fund New Website</b>	<b>55 days</b>	<b>Wed 06/02/19</b>	<b>Wed 24/04/19</b>		
<b>Project Initiation - Gate 0</b>	<b>55 days</b>	<b>Wed 06/02/19</b>	<b>Wed 24/04/19</b>		
RFP submitted	0 days	Wed 06/02/19	Wed 06/02/19		MM
BTLS Accepted RFP	0 days	Mon 11/02/19	Mon 11/02/19		BR
LCC Comms provided wireframes for designs	0 days	Fri 08/03/19	Fri 08/03/19		AS
BTLS issued proposal	0 days	Thu 11/04/19	Thu 11/04/19		BR
Purchase Order accepted	0 days	Wed 24/04/19	Wed 24/04/19		BR
<b>Build, Develop -Gate 1</b>	<b>233 days</b>	<b>Mon 22/07/19</b>	<b>Thu 11/06/20</b>		
Dev and test set up to build and work scheduled	1 day	Mon 22/07/19	Mon 22/07/19		Redmine task
Meeting with WASH to go through Designs	0 days	Tue 11/02/20	Tue 11/02/20		WASH,MM,CG,AS,JA,BR
Designs signed off by LCC Corp Comms	0 days	Wed 01/04/20	Wed 01/04/20		AS
Developer to build in Umbraco	8 days	Mon 01/06/20	Wed 10/06/20		JA
Internal System testing	0 days	Thu 11/06/20	Thu 11/06/20	12	BTLS
<b>UAT/Testing</b>	<b>155 days</b>	<b>Mon 22/06/20</b>	<b>Mon 25/01/21</b>		
Issued to LCC Commms for 1st round of UAT	51 days	Mon 22/06/20	Mon 31/08/20		AS
Feedback received from Corp Comm LCC -conference call to discuss	0 days	Tue 01/09/20	Tue 01/09/20		AS
Issued to customer MM for 2nd round of UAT	20 days	Tue 06/10/20	Mon 02/11/20		MM
Customer meeting with WASH to go over designs	0 days	Wed 11/11/20	Wed 11/11/20		MM
Issued to customer MM for 3rd round of UAT	9 days	Tue 08/12/20	Fri 18/12/20		MM
Conference Call to be arranged between WASH, BTLS and MM to progress resolution issues	0 days	Mon 18/01/21	Mon 18/01/21		
Pending customer sign off based on BTLS issues raised	0 days	Mon 25/01/21	Mon 25/01/21		
<b>Next steps</b>	<b>23 days</b>	<b>Mon 25/01/21</b>	<b>Thu 25/02/21</b>		
Complete Service Design Pack	2 days	Mon 25/01/21	Tue 26/01/21		JA
Knowledge Articles signed off	0 days	Wed 27/01/21	Wed 27/01/21	23	JP
Transition Board	0 days	Wed 27/01/21	Wed 27/01/21	24	JS/BR
Change request raised	4 days	Wed 27/01/21	Mon 01/02/21	25	JS/BR
Go-live	0 days	Thu 25/02/21	Thu 25/02/21		JS/BR





# Agenda Item 17

(NOT FOR PUBLICATION: By virtue of paragraph(s) 1,2,3 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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