

## **Lancashire County Council**

### **Lancashire Local Pension Board**

**Tuesday, 16th October, 2018 at 2.00 pm in Room CHG:03 at County Hall, Preston.**

#### **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**
- 3. Minutes of the Meeting held on the 3rd July 2018** (Pages 1 - 8)  
To be confirmed, and signed by the Chair.
- 4. CIPFA Guide for Local Pensions Board (May 2018)** (Pages 9 - 10)
- 5. Lancashire County Pension Fund - Regulatory Update** (Pages 11 - 16)
- 6. The Pensions Regulator Governance and administration Survey results** (Pages 17 - 20)
- 7. Lancashire County Pension Fund - Risk Assurance Map** (Pages 21 - 22)
- 8. Part I reports presented to the previous Pension Fund Committees** (Pages 23 - 24)
- 9. Feedback from members of the Board on pension related training, conferences and events attended since the last meeting.** (Pages 25 - 26)
- 10. Urgent Business**  
An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

**11. Date of Next Meeting**

The next scheduled meeting of the Board will be held at 2pm on the 29<sup>th</sup> January 2019 in Room CHG: 05 at County Hall, Preston.

**12. 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)**

**13. Presentation - Update on Pension Administration Communications**

Julie Wigg, Engagement Manager at the Local Pensions Partnership will update the Board at the meeting.

**14. Part II reports from the last Pension Fund Committee.** (Pages 27 - 28)

**15. Lancashire County Pension Fund - Breaches Log** (Pages 29 - 36)

**16. Lancashire County Pension Fund - Risk Register** (Pages 37 - 48)

L Sales  
Director of Corporate Services

County Hall  
Preston

## **Lancashire Local Pension Board**

**Minutes of the Meeting held on Tuesday, 3rd July, 2018 at 2.00pm in Room CHG: 04 at County Hall, Preston.**

### **Present:**

#### **Chair**

William Bourne

#### **Board Members**

County Councillor Christian Wakeford, Employer representative - LCC

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

Kathryn Haigh, Scheme Member representative

Bob Harvey, Scheme Member representative

#### **Also in attendance**

Abbi Leech, Head of Fund, LCPF, Lancashire County Council.

Mukhtar Master, Governance and Risk Officer, LCPF, Lancashire County Council.

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

County Councillor A Schofield, Non Executive Director representing the County Council on the Local Pension Partnership Board

Jackie Self, Interim Director of Pension Administration, Local Pension Partnership.

John Crowhurst, Interim Deputy Director of Pension Administration, Local Pension Partnership.

Following a suggestion by the Chair the Board agreed that item 14 would be discussed before item 13 so that the representatives from the Local Pension Partnership could present their report on the pension administration service and then leave the meeting.

### **1. Apologies**

Apologies for absence were received from Mr T Pounder, Mr C Gibson and Ms Y Moulton.

### **2. Constitution, Membership and Terms of Reference of the Board**

It was reported that the current constitution of the Lancashire Local Pension Board was 9 members on the basis of an independent Chair, 4 representatives of employers and 4 scheme member representatives as set out below:

William Bourne - Independent Chair

County Councillor C Wakeford - Employer representative (LCC)

Tony Pounder - Employer representative (LCC)

Steve Thompson - Employer representative (Unitary, City, Borough Councils and Police/Fire)

Carl Gibson - Employer representative (Other Employers)

Kathryn Haigh - Scheme member representative.

Yvonne Moulton - Scheme member representative.

Bob Harvey - Scheme member representative.  
Vacancy - Scheme member representative

A copy of the current Terms of Reference of the Board is set out in the Minute Book.

**Resolved:** That the constitution, Membership and Terms of Reference of the Lancashire Local Pension Board, as set out in the report presented, are noted.

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

No declarations of interest were made in respect of items on the agenda.

### **4. Minutes of the Meeting held on 24th April 2018**

**Resolved:** That the Minutes of the meeting held on the 24<sup>th</sup> April 2018 are confirmed as an accurate record and signed by the Chair.

### **5. Review of the Training Record for 2017/18**

A report was presented on the Training Record for 2017/18 which listed the internal workshops and external conferences/seminars that individual members of the Board had attended during the year in order to develop their knowledge and understanding of pension related matters.

Mr Thompson informed the meeting that as he had been unable to attend recent workshops he had watched the recordings of the presentations that were available for Board members which he had found useful.

Mr Neville asked members of the Board to inform him if they completed any online pension related training so that it could also be included in the current Training Record.

**Resolved:** That the Training Record for 2017/18, as set out at Appendix 'A' to the report presented, is noted.

### **6. Lancashire Local Pension Board Work Plan**

The Board considered a report which set out four amendments to the 2018/19 Work Plan which had been made since the last meeting.

It was suggested that future versions of the Work Plan should reflect the specific areas where individual members of the Board have taken a lead role as agreed at the meeting in April 2018.

**Resolved:**

1. That the amendments to the 2018/19 Work Plan, as set out in the report presented, are noted.

2. That future versions of the Work Plan reflect those areas where individual members of the Board have taken a lead role, as agreed at the meeting in April 2018.

## **7. Regulatory Update**

The Board considered a report on the provisions of the LGPS (Amendment) Regulations 2018, which had come into force on the 14<sup>th</sup> May 2018, and The General Data Protection Regulation which came into force on the 25<sup>th</sup> May 2018.

With regard to the requirement to pay exit credits where an employer terminated from the Fund with a surplus the Head of Fund reported that the LCPF had given employers notice in March to ensure that they could exit the scheme before the 14<sup>th</sup> April 2018 deadline.

The new CIPFA Guidance on Pension Boards was discussed and it was suggested that the operation of the Board be reviewed against the guidance.

**Resolved:** That the updates regarding the LGPS (Amendment) Regulations 2018 and The General Data Protection Regulation, as set out in the report presented, are noted.

## **8. Feedback from members of the Board on pension related training, conferences and events.**

Mr Harvey reported that the two internal pension workshops which he had attended since the last meeting had been well presented and informative.

The Chair informed the meeting that he had attended the PLSA Conference in May on behalf of the LPFA which had been addressed by the Minister for Local Government and had focussed on data quality and the future sharing of services.

The Head of Fund reported that the LCPF Annual General meeting on the 19<sup>th</sup> June 2018 had been well attended with positive feedback received from attendees.

**Resolved:** That the report and updates given at the meeting are noted.

## **9. Part I reports presented to previous Pension Fund Committee**

The Head of Fund updated the Board on discussions and decisions from the Pension Fund Committee on the 8<sup>th</sup> June 2018 in relation to Part I items on the agenda.

It was reported that the Committee had agreed that the Local Pension Partnership become an asset owner signatory to the Principles of Responsible Investment in place of the LCPF, which would delist as a signatory. As a result the Partnership would be committed to reporting publicly, via the annual PRI reporting process, on how the 6 principles were implemented within their stewardship activities as part of the practical fulfilment of LCPF's fiduciary and ownership responsibilities. It was also

noted that in order to avoid abortive work a review of the current Stewardship Code had been postponed until after a revised Code was issued in the spring of 2019.

The Board was informed that an additional meeting of the Committee would be held on the 5<sup>th</sup> July 2018 to consider the LCPF Annual Report and Accounts and the Head of Fund asked members to let her have any comments they may have on the accounts as soon as possible so that they could be considered before the accounts were presented to the County Councils Audit, Risk and Governance Committee on the 30<sup>th</sup> July 2018.

**Resolved:**

1. That the reports considered under Part I of the agenda at the Pension Fund Committee on the 8<sup>th</sup> June 2018 and decisions taken are noted.
2. That Board members forward any comments they may have on the LCPF Annual Report and Accounts to the Head of Fund so that they can be considered before the accounts are presented to the County Councils Audit, Risk and Governance Committee on the 30<sup>th</sup> July 2018.

**10. Urgent Business**

No items of 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 2pm on the 16<sup>th</sup> October 2018 in Room CHG: 03 at County Hall, Preston.

**12. Exclusion of Press and Public**

**Resolved:** That the press and public be excluded from the meeting during consideration of the next items of business on the grounds that there would be a likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of the 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. Pensions Administration Update**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of 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).

It was reported that the Local Pension Partnership had introduced a new operating model for the pension administration service which had come into operation on the 1<sup>st</sup> April 2018.

Jackie Self, Interim Director of Pension Administration and John Crowhurst, Interim Deputy Director of Pension Administration from the Local Pension Partnership informed the Board of the issues which had arisen following implementation of the new business model which had resulted in a backlog of cases and discussed the lessons which had been learned and the various actions which had been taken to address service level failures.

In considering the report the Board acknowledged that action had been taken to address the issues and overall performance of the administration service was improving, though it was agreed there were still concerns and members of the Board made the following comments.

- That the current pension administration model and case management system be re-evaluated in light of the recent issues in order to establish whether they are still effective and appropriate.
- That in future the introduction of any large scale system should be done on a phased basis so that it can be properly evaluated and the impact of any resulting issues will be limited.
- Concern was expressed about the long term sustainability of some of the measures which have been implemented to deal with the backlog of cases.
- That greater consideration be given to the balance between quality and cost considerations in respect of the pension administration service.
- The Board request that the Local Pension Partnership provide details of any customer feedback covering the period from the 1<sup>st</sup> April 2018 to date in order to be assured that despite the recent issues the pension administration service has delivered a satisfactory service.
- That further information be requested from the Local Pension Partnership Board with regard to proposed future action in relation to the pension administration service following the LPP Board in July 2018.

**Resolved:**

1. That the comments of the Board are noted and forwarded to the Local Pension Partnership Board for consideration at the Board meeting in July 2018.
2. That the pension administration service continue to be monitored and the Head of Fund provide weekly updates to members of the Board in order to provide reassurance that the overall performance continues to improve.

**14. Presentation by Local Pension Partnership Non Executive Director**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of 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).

County Councillor A Schofield attended the meeting and discussed a number of matters with the Board including:

- His role as the Non Executive Director representing the County Council on the Local Pension Partnership Board and a member of the LPP Remuneration Committee.
- The function of the County Councils Employment Committee in relation to the approval of certain matters relating to LPP.
- His role as the Chair of the County Councils Audit, Risk and Governance Committee which would consider the County Councils Statement of Accounts at the meeting on the 30<sup>th</sup> July 2018.
- Current activity and the future direction of LPP

The Chair thanked County Councillor Schofield for his attendance and contributions to the discussion.

**Resolved:** That the Non Executive Director representing the County Council on the Local Pension Partnership Board be invited to attend the Board annually to discuss their role and activities.

## **15. Lancashire County Pension Fund – Data Quality Review**

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of 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 the findings of the LCPF data quality review for Q4 of 2017/18 and noted that the information would be subject to an independent review.

**Resolved:** That the report is noted and the Board be kept informed of the findings of the independent review of the LCPF data quality review for 2017/18.

## **16. Lancashire County Pension Fund - Breaches Log**

(Exempt information as defined in Paragraphs 2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Head of Fund presented a report which summarised entries in the LCPF Breaches Log for the period 1<sup>st</sup> April 2018 to 21<sup>st</sup> June 2018.

When considering the report members of the Board acknowledged that due to the timing of the meeting it was not possible to provide figures for the whole quarter and



suggested that future reports should include the outcome of any action taken in order to give an assurance that issues had been resolved.

It was noted that the possibility of a serious contribution breach happening was minimised as the Fund collected contributions by direct debit.

**Resolved:** That any future reports regarding breaches include the most up to date information regardless of whether figures for a full Quarter is available.

**17. Part II reports from the previous Pension Fund Committee.**

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

The Head of Fund updated the Board on the discussions and decisions taken at the Pension Fund Committee on the 8<sup>th</sup> June 2018 in relation to items in Part II of the agenda and reported that the Committee had approved the strategic and business growth plan for 2018-2023 and the three year budget for the Local Pension Partnership.

With regard to the appointment of a scheme member representative on the Board it was reported that the Committee had been informed of additional information which had come to light since an appointment had been made and agreed that in the circumstances the appointee should not continue as a member of the Board. It was noted that action would be taken to appoint a replacement scheme member representative as quickly as possible to fill the resulting vacancy on the Board.

**Resolved:** That the updates regarding reports considered under Part II of the agenda at the Pension Fund Committee on the 23<sup>rd</sup> March 2018 and the decisions taken are noted.

L Sales  
Director of Corporate Services

County Hall  
Preston



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 October 2018

Electoral Division affected: None;
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### CIPFA – The guide for Local Pension Boards, published May 2018

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

#### Executive Summary

This publication has been developed to add to the existing guidance produced by the Scheme Advisory Board and seeks to offer further insight into a range of issues impacting on Local Pension Boards. The publication does not replace the existing Scheme Advisory Board guidance or The Pensions Regulator Code of Practice and related guides.

#### Recommendation

The Board is asked to read and note the contents of the publication.

#### Background and Advice

In July 2015 the CIPFA Pensions Panel published *Local Pension Boards: A Technical Knowledge and Skills Framework*. This new 2018 publication contains various ideas which could help local pension boards in their quest to add value and ensure that they fulfil the various requirements and responsibilities which rest on their shoulders.

In the introduction to the publication, CIPFA make specific reference to Chapter 6 which discusses the *TPR's Code of Practice 14: Governance and Administration in Public Service Pension Schemes*, particularly the key issues of the degree of knowledge and understanding required of pension board members.

The guide includes the following chapters:

1. Legislation and functions
2. Board relationships
3. Board structure and operations
4. The Scheme Advisory Board
5. The Pensions Regulator
6. The Pensions Regulator's Code of Practice 14
7. Work programmes for local pension boards

8. Training
9. Investment pools
10. Responsible investing: environmental, social and governance aspects.

## **Consultations**

Guidance produced by CIPFA.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The publication includes guidance which may support members of the Lancashire Local Pension Board in meeting the responsibilities and purpose of the Board.

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

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

## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 16 October 2018

Electoral Division affected: (All Divisions);
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## **Lancashire County Pension Fund – 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 provides an update on a variety of matters to assist members of the Pension Board to exercise their duties effectively.

### **Recommendation**

The Board is asked to note the contents of this update

## **Background and Advice**

### **Regulatory Update**

#### **1 The Pension Regulator 2017/18 Scheme return**

The annual scheme return request has been sent to all funds with a return date set at 06 November 2018.

As part of the return, schemes are required to report and score on the consistency of common and conditional data. As there is still some debate over what conditional data should be reported on, it has been agreed by the Regulator that the first year of conditional data will be based on Fund's adopting their own approach. These approaches will then be used to assess the methodology adopted by each scheme for following years. On that basis, in the first year, the Regulator are not overly concerned with consistency across all Local Government Pension Scheme managers on the reporting of conditional data. For the Lancashire Fund the basis for the return will be the data extracts used at valuation.

#### **2 Equitable Life**

Although the Fund no longer accepts new business for Equitable Life, we still continue to administer those members who have historically stayed invested with Equitable Life.

On 15 June 2018, Equitable Life announced that they have entered into an agreement to transfer the Society and all its policies to Reliance Life. As a result, they hope to be able to increase the current 35% capital distribution on with-profits policies to between 60% and 70%. However, for this to take place eligible policyholders will be asked to vote (expected to take place mid-2019) in favour of removing policy guarantees as well as on the arrangements to transfer to Reliance Life.

### **3 Tier 3 employer project**

This is being driven by the Scheme Advisory Board who appointed Aon Hewitt to help them in their review of Tier 3 employers in the Local Government Pension Scheme. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

Their report has now been issued. The report does not make any recommendations, instead, it outlines a range of issues raised by stakeholders and how they envisage these concerns being resolved. The Scheme Advisory Board will now establish a small working group to evaluate the options for change. The working group will report to the Scheme Advisory Board later this year with a set of recommendations for further consideration.

Once approved, stakeholders will be given the opportunity to comment on the Scheme Advisory Board recommendations before any formal approach is made to the Ministry for Housing, Communities and Local Government for changes to the scheme regulations and guidance.

Apart from the funding issues, a lot of the areas covered in the report were around engagement, data quality and general understanding of the tier 3 employers' responsibilities and risks in participating in the Local Government Pension Scheme.

### **4 Cost Management and quadrennial valuations**

Local Government Pension Scheme fund valuations, used to determine local employer contributions, are governed by the scheme's regulations and currently take place on a triennial basis. However, the national scheme valuations, used to test the employer cost cap mechanism, are governed by HM Treasury's valuation directions.

Historically the Local Government Pension Scheme national scheme valuations have been aligned with their triennial local fund valuation cycle. All other major public service schemes undertake quadrennial scheme valuations.

Having considered the matter further, HM Treasury believes that bringing the Local Government Pension Scheme valuations onto the same quadrennial cycle as the other public service scheme valuations should minimise complications, and will assist with comparisons between the schemes.

For the Local Government Pension Scheme it has been confirmed that the scheduled local valuation due in March 2019 will be required and that a further

national (cost cap) valuation will be undertaken in 2020. Further discussions will be held to see whether the local and national valuations will be aligned to every 4 years from 2024.

## **5 Employer cost cap mechanism**

One of the Scheme Advisory Board's statutory duties, under the regulations, was to introduce and maintain a process to manage costs in the scheme (employer cost cap), alongside the process introduced by HM Treasury for all public service schemes. The results of this valuation are now known. Under the terms of the employer cost cap, ministers are required to act if the underlying costs of the Local Government Pension Scheme (the future service cost) vary by more than 2% between successive national valuations carried out by the Government Actuary Department.

That underlying cost has reduced below this 2% cap and therefore we currently await to see if a decision is taken to increase Member benefits or decrease member contributions. The consensus opinion is that this scenario was not anticipated and legislation may well be brought in for the future to avoid compulsorily enhancements to the benefit structure where costs reduce.

## **6 Consultations**

On 3 October 2018, the Ministry for Housing, Communities and Local Government opened an eight week consultation on amendments to the Scheme which are necessary to respond to recent legal judgements and meet existing policy objectives. The Ministry for Housing, Communities and Local Government intend to undertake a separate technical consultation on draft amendment regulations to give effect to the proposed changes.

There are 3 areas under consultation:

- Survivor benefits – introducing changes to provide that pensions paid to survivors of civil partnerships or same-sex marriages will be equal to those provided to widows of male members. The changes will be backdated to the date civil partnerships and same-sex marriages were implemented, this means that Local Government Pension Scheme administering authorities will need revisit all awards made under the current rules to civil/same-sex partners and pay any additional sums that are due.
- Introducing a general power for Ministry for Housing, Communities and Local Government to issue statutory guidance.
- Correcting the unintended error in the Local Government Pension Scheme (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their Scheme pension without the need for their former employer's consent from age 55, with the appropriate actuarial reduction.

The consultation closes on 29 November 2018. It is expected that the Fund will support the proposals, indeed we are already operating bullet point 3 above based

on a statement of intent issued by the Ministry for Housing, Communities and Local Government.

We still await further consultation documents for Fair Deal and exit payments which MHCLG have confirmed will be issued before the end of the year.

## **7 SCAPE Discount rates**

The discount rates are used to anticipate the expected investment returns and assess the current cost of future payments. As a result a reduction on those rates can lead to potential increased costs to employer contributions.

The 2016 Budget announced a reduction in the annual rate from 3.0% above the Consumer Prices Index (CPI) to 2.8% above CPI and a further reduction to CPI plus 2.4% is now proposed.

It is expected that the announcement will be made in the autumn budget. As a result the reduced rate will become effective for actuarial purposes from the date that it is formally announced. Once the change is announced, transfer and interfund calculations will need to be put on hold until new actuarial factors are issued. There will also need to be transitional arrangements in place for other areas of the Local Government Pension Scheme where actuarial factors, impacted by the change in discount rate, are used.

The Ministry for Housing, Communities and Local Government have confirmed that the Government Actuary's Department are currently reviewing the factors in use for the LGPS based on the 2016 Local Government Pension Scheme valuation and will now likely need to take account of the discount rate reduction in that review.

## **8 Section 13 report**

The Ministry for Housing, Communities and Local Government have now (27/09/2018) published the first statutory review of the Local Government Pension Scheme under section 13 of the Public Service Pensions Act 2013 covering the period to 2016.

The department is required to report on the Scheme every 3 years. As part of the review each of the 91 individual funds which make up the Local Government Pension Scheme have been assessed in terms of its compliance, consistency, solvency and long term cost efficiency.

The Government Actuary has reported that in aggregate the Local Government Pension Scheme is in a strong financial position and funds have made significant progress since the 2013 valuation based on the criteria.

The report highlights (View the [final report](#) on Gov.uk):

- total assets for the Local Government Pension Scheme have grown from £180 billion to £217 billion



- aggregate funding level has improved from 79% to 85%, due in part to better than expected returns on assets and strong returns have continued (Lancashire's Funding level in the report is shown as 89.7%)
- total employer contributions received were £6.9 billion per annum on average of which circa £2 billion per annum were deficit recovery payments

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



## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 16 October 2018

Electoral Division affected: (All Divisions);
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## **Lancashire County Pension Fund – The Pensions Regulator Governance and Administration Survey results**

Contact for further information:

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

### **Executive Summary**

This report provides the members of the Pension Board with a summarised position of the Pension Regulator's survey findings on governance and administration and highlights the Pension Regulator's future plans.

### **Recommendation**

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

### **Background and Advice**

The Pension Regulator have published their 2018 report on the findings of the governance and administration survey (undertaken in November and December 2017) of public service pension schemes. In total 191 of the 207 public service pension schemes completed the survey. This equates to a 92% response rate, covering 98% of all public service pension scheme membership.

The full report can be accessed at the link below:

[www.thepensionsregulator.gov.uk/docs/public-service-research-2018.pdf](http://www.thepensionsregulator.gov.uk/docs/public-service-research-2018.pdf)

A summary of the results and commentary can be accessed at the following link:

[www.thepensionsregulator.gov.uk/docs/public-service-research-summary-2018.pdf](http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary-2018.pdf)

The report sets out how The Pension Regulator have interpreted the findings and shows the responses to all survey questions.

The report highlights a number of points that are specific to Local Government Pension Schemes administering authorities and a summary of some of the findings are listed below:

1. The survey supports The Pension Regulator existing assessment that the top risks are scheme governance, record-keeping and internal controls.
2. The survey shows that 34% of Local Government Pension Scheme administering authorities hold fewer than four pension board meetings a year. In The Pension Regulator's view, this provides inadequate opportunity for pension boards to carry out their role effectively and raises concern about the quality of governance.
3. Only 45% of active members in the Local Government Pension Scheme received their annual benefit by the statutory deadline. (For the Lancashire Fund the figure this year is 86.35% received by the 31 August deadline)
4. The summary report states *'The survey shows signs that process improvements have stalled in some Local Government schemes. This group was also the one that was least likely to respond to the survey and we are concerned about the risks of disengagement. Because of the specific challenges faced by Local Government schemes, we expect to focus casework activities on the LGPS in the coming year.'*
5. The report concludes by saying, *'Scheme managers should be aware that we are more likely to use our enforcement powers this year. Where we open cases, we will work the schemes involved to resolve gaps in their risk and breach of law processes. When considering action or setting fines, we will take into account a party's co-operation with us, and their efforts to put things right. For example, those who fail to report breaches to us quickly could receive a higher penalty for a breach, and an additional penalty for a failure to report.'*

Going forward TPR have already announced plans for "Proactive engagement" with LGPS funds for 2018 and 2019, as in their view, the results of the 2017 Governance & Administration Survey show that improvements in governance & administration standards have slowed when compared to other public service pension schemes.

Over the coming months, all Local Government Pension Scheme scheme managers will receive written communications from The Pension Regulator (and others involved with Local Government Pension Schemes may also hear from the Regulator). These will cover governance & administration matters including:

- the main risk areas scheme managers should already be focusing on
- what The Pension Regulator's expectations are
- how those responsible for managing and running schemes can identify and mitigate such risks

The Pension Regulator have already engaged with a small number of scheme managers (10% of Local Government Pension Scheme funds) to undertake deeper regulatory engagement into each risk area, to understand what the current status is, the challenges scheme managers face, the extent of mitigation and improvement plans and how they are being implemented. The Lancashire Fund hasn't been contacted by The Pension Regulator in relation to this.

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



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 October 2018

Electoral Division affected: (All Divisions);
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## Lancashire County Pension Fund – Risk Assurance Mapping

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

[Abigail.leech@lancashire.gov.uk](mailto:Abigail.leech@lancashire.gov.uk)

Mukhtar Master, 01772 532018, Governance & Risk Officer,

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

### Executive Summary

A Risk Assurance Mapping exercise was carried out by Price Waterhouse Cooper in 2016. This paper considers whether the continued maintenance of the assurance map provides any tangible benefits for Lancashire County Pension Fund.

### Recommendation

It is recommend that the Board agree that the Risk Assurance Map produced by Price Waterhouse Cooper is no long updated and maintained for the Board as the risk register updates provide enough detail.

### Background and Advice

In 2016, Price Waterhouse Cooper were commissioned to support Lancashire County Pension Fund in developing both a risk register and a risk assurance map.

The risk assurance mapping process produced a complex risk assurance map detailing the following three areas for each and every risk on the risk register:

1. Management Control and Reporting;
2. Oversight/Governance;
3. Independent Assurance.

The assurance for each of these areas and the associated risks were assessed by Price Waterhouse Cooper through a total of 24 observations - each of which were assessed, rated and subsequently reported, together with recommendations for the fund. These 24 ratings were then used to derive a further RAG (Red/Amber/Green) rating for each part of the risk assurance map for Lancashire County Pension Fund.

The process employed by Price Waterhouse Cooper to produce the risk assurance map for the Fund was both complex and very time consuming. However, it was a useful exercise for the fund in ensuring that an independent assessment of assurance was produced at a time of great change, especially due to the move to a pooling arrangement with the London Pension Fund Authority Fund.

Maintaining the initial risk assurance map produced by Price Waterhouse Cooper is problematic for a number of reasons:

1. It is very time consuming to maintain;
2. Risk assurance mapping is not an exact science and together with the complex approach adopted by PWC's methodology, its actual value is very limited;
3. Risk assurance is recommended to be carried out independently;
4. Such a complex approach to risk assurance is not required for the Pension Fund as its key risks and controls can be easily identified from the Fund risk register;
5. Maintaining such an over-engineered, complex and time-consuming risk assurance map is in itself a risk. It could potentially distract from effectively mitigating against known risks or even failing to recognise new ones.

The risk assurance map has not been reviewed by the Pension Fund Committee as it is too detailed and complex for their requirements and has instead been reviewed by the Board. It is recommended that the Board agree that the Risk Assurance Map produced by Price Waterhouse Cooper is no longer updated, maintained or presented in future.

## **Consultations**

The Local Pensions Partnership's Chief Risk Officer was consulted with regards to this matter.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

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

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

### **List of Background Papers**

Paper	Date	Contact/Tel
N/A		

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



## Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 October 2018

Electoral Division affected: None;
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### Part I reports presented to recent Pension Fund Committees

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 the reports that were presented in Part I of the agenda for the Pension Fund Committee on the 5<sup>th</sup> July and the 14<sup>th</sup> September 2018. At the meeting the Head of Fund will update the Board on individual reports and decisions which were taken.

#### Recommendation

The views of the Board are requested in relation to the Part I reports considered by the Pension Fund Committee on the 5<sup>th</sup> July and 14<sup>th</sup> September 2018, as set out in the report, and any decisions taken.

#### Background and Advice

At the meeting on the 5<sup>th</sup> July 2018 the Pension Fund Committee considered the following reports in Part I of the agenda which were available to the press and public.

- The Lancashire County Pension Fund Pension Administration Strategy Statement
- The Lancashire County Pension Fund Annual Report for the year ended 31st March 2018

At the subsequent meeting of the Committee on the 14<sup>th</sup> September 2018 a number of reports were considered in part I of the agenda, including the following.

- Minutes of the Meeting held on the 5th July 2018
- Lancashire County Pension Fund - External Audit Findings Report
- Lancashire County Pension Fund - Update on 2017/18 Annual Report

- Lancashire County Pension Fund - Budget monitoring for period 1 April to 30 June 2018
- Responsible Investment
- Local Pensions Partnership Annual Report 2017/18
- Feedback from members of the Committee on pension related training, conferences and events.

In both cases members of the Board were notified when the agenda for the Committee was published and available to view on the county councils [website](#). Full copies of the both agenda were also made available to Board members for inspection 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, 16 October 2018

Electoral Division affected: None
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### **Feedback from members of the Board on pension related training, conferences and events.**

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 lists internal/external pension related training which members of the Board have attended since the last meeting and gives individuals an opportunity to provide feedback.

#### **Recommendation**

The Board is asked to note the report and any feedback presented at the meeting.

#### **Background and Advice**

At the meeting on the 23<sup>rd</sup> March 2018 the Pension Fund Committee agreed a revised Training Policy which set out the Fund's approach to supporting the learning and development needs of individuals with responsibility for the strategic direction, governance and oversight of the LCPF through their membership of the Pension Fund Committee or the Lancashire Local Pension Board.

The following conferences were attended by members of the Board since the last meeting:

**26<sup>th</sup> September 2018 - Introduction to the LGPS** at the Northern Trust Offices, Canary Wharf, London, attended by T Pounder.

**26<sup>th</sup> September 2018 - Workshop on 'Analysing the Macro Backdrop for Investing'** at County Hall, Preston, attended by K Haigh and R Harvey.

**12<sup>th</sup> October 2018 - CIPFA Local Government Pension Service Autumn Seminar for Pension Board members** at the Port Of Liverpool Building, Pier Head, Liverpool, attended by Y Moulton and S Thompson.

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

## **Consultations**

N/A

## **Implications:**

This item has the following implications, as indicated:

### **Risk management**

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

### **Financial**

Any attendance, travel or accommodation costs are met by the Pension Board.

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

Paper	Date	Contact/Tel
Attendance at Conferences approved by the Head of Fund under the Scheme of Delegation to Heads of Service	July – October 2018	Abigail Leech, (01772) 530808
Attendance sheet from individual pension workshops	July – October 2018	M Neville (01772) 533431

Reason for inclusion in Part II, if appropriate

N/A

# Agenda Item 14

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

Document is Restricted



# Agenda Item 15

(NOT FOR PUBLICATION: By virtue of paragraph(s) 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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(NOT FOR PUBLICATION: By virtue of paragraph(s) 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)

Document is Restricted



# Agenda Item 16

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

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# Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 2 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted



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