

Lancashire County Council

Lancashire Local Pension Board

Tuesday, 29th January, 2019 at 2.00 pm in Committee Room 'D' (The Henry Bolingbroke Room) - County Hall, Preston.

Agenda

Part I (Open to Press and Public)

No. Item

Part I (Open to Press and Public)

- 1. Apologies**
- 2. Disclosure of Pecuniary and Non-Pecuniary Interests**
- 3. Minutes of the last meeting** (Pages 1 - 8)
To be confirmed, and signed by the Chair.
- 4. Regulatory Update** (Pages 9 - 14)
- 5. Lancashire County Pension Fund – Data Quality report** (Pages 15 - 20)
- 6. Consultation of proposed LGPS statutory guidance on asset pooling.** (Pages 21 - 32)
- 7. LCPF Compliance with The Pension Regulator Requirements** (Pages 33 - 48)
- 8. Lancashire Local Pension Board Workplan 2019/20** (Pages 49 - 52)
- 9. Feedback from members of the Board on pension related training, conferences and events.** (Pages 53 - 54)
- 10. Part I reports presented to the previous Pension Fund Committee** (Pages 55 - 56)
- 11. 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.

12. Programme of meetings 2019/20 (Pages 57 - 58)

13. Date of Next Meeting

The next scheduled meeting of the Board will be held at 2pm on the 30th April 2019 in Room CHG: 05 at County Hall, Preston.

14. 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)

15. Pension Administration Update

Oral report - Rachel Blundell from the Local Pension Partnership to attend the meeting.

16. Part II reports presented to the previous Pension Fund Committee (Pages 59 - 60)

17. PwC report on the outcomes of the LPP partnership (Pages 61 - 88)

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

Oral report.

19. Chairman of the Lancashire Local Pension Board

Oral report.

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire Local Pension Board

Minutes of the Meeting held on Tuesday, 16th October, 2018 at 2.00 pm in Room CHG 03 at County Hall, Preston.

Present:

Chair

William Bourne

Board Members

County Councillor Christian Wakeford, Employer representative (Lancashire County Council)
Tony Pounder, Employer representative (Lancashire County Council)
Steve Thompson, Employer representative (Unitary, City, Boroughs, Police and Fire)
Carl Gibson, Employer representative (Other Employers)
Kathryn Haigh, Scheme Member representative
Bob Harvey, Scheme Member representative
Yvonne Moulton, Scheme Member representative
Keith Wallbank, Scheme Member representative

Officers

Abbi Leech, Head of Fund, LCPF, 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.
Julie Wigg, Engagement Manager, Local Pension Partnership.

1. Welcome and Apologies

The Chair welcomed Mr Pounder and Mr Wallbank (the recently appointed Scheme Member representative) to the meeting and all members of the Board and officers present introduced themselves.

No apologies were presented.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest were made under this heading.

3. Minutes of the Meeting held on the 3rd July 2018

Reference was made to the discussion at the previous meeting regarding the pension administration service provided by the Local Pension Partnership and the concerns expressed by members of the Board. The Head of Fund confirmed that the Board would be given an update on the pension administration service under item 14 on the agenda.

The Chair informed the meeting that he intended to take item 14 on the agenda before item 13 and, with the agreement of the Board, give the Engagement Manager

from the Local Pension Partnership an opportunity to take part in discussions about the pension administration service before giving her presentation.

Resolved:

1. That the Minutes of the meeting held on the 3rd July 2018 are confirmed as an accurate record and signed by the Chair.
2. That item 14 on the agenda be taken before item 13 and the Engagement Manager from the Local Pension Partnership invited to take part in discussions regarding the Pension Administration Service.

4. CIPFA Guide for Local Pensions Board (May 2018)

The Chair presented a report on the latest Guidance from CIPFA which offered an insight into a range of issues that would have an impact on Local Pension Boards.

Members of the Board agreed that in many respects the Lancashire Board had a good working relationship with the administering authority and cited good communications, access to 'exempt information' and the regular attendance of the Chair at meetings of the Pension Fund Committee as indicators that the Board was considered a valued 'critical friend'.

The Chair urged members of the Board to attend future training sessions organised by CIPFA as it was often helpful to meet members of other Boards and see how they operated.

Resolved: That the contents of the CIPFA Guide for Local Pension Boards (published in May 2018) are noted.

5. Lancashire County Pension Fund - Regulatory Update

Mr Smith, Technical Adviser Pensions, updated the Board on various pension regulatory matters, including the following.

A ballot of eligible policyholders on the removal of policy guarantees as well as the transfer arrangements for Equitable Life and all its policies to Reliance Life would be available early next year.

The Scheme Advisory Board had established a small working group to evaluate options for change in relation to Tier 3 employers such as colleges, universities and housing associations. Stakeholders would be given an opportunity to comment on any recommendations later this year before any formal approach was made to government for changes to the scheme regulations and guidance.

Historically the Local Government Pension Scheme national scheme valuations had been aligned with their triennial local fund valuation cycle whereas all other major public service schemes had quadrennial scheme valuations. It was reported that HM Treasury intended to bring the LGPS onto the same quadrennial cycle as the other public service scheme valuations in order to minimise complications, and assist with

comparisons between schemes. Members of the Board expressed concern regarding the increased workload that would result from having the scheduled local valuation in March 2019 followed by a national (cost cap) valuation in 2020. It was also noted that even if local and national valuations were aligned to every 4 years they would still be out of sync with valuations for teachers.

In response to a query regarding the LCPF scheme return the Head of Fund confirmed that the Actuary had been asked to review data quality and that a report on the findings would be presented to the Pension Fund Committee in November 2018.

Resolved:

1. That the updates set out in the report presented and given at the meeting are noted.
2. That the Chair of the Pension Fund Committee be informed of the concerns of the Board regarding the increased workload that would result from having the scheduled LGPS local valuation in March 2019 followed by a national (cost cap) valuation in 2020.
3. That the findings of the Actuary review of LCPF data quality (to be reported to the Pension Fund Committee in November 2018) be presented to the next meeting of the Board for discussion.

6. The Pensions Regulator Governance and Administration Survey results

Mr Smith, Technical Adviser Pensions, presented a report which summarised the findings of the Pension Regulator's survey on governance and administration.

It was reported that 45% of active members in the Local Government Pension Scheme received their annual benefit by the statutory deadline and Mr Smith confirmed that for the Lancashire the revised figure was 99%.

The Board was informed that the Pension Regulator had announced plans to pursue "proactive engagement" with LGPS funds in the future and would be writing to scheme managers on various governance and administration matters. It was also reported that the Pension Regulator had engaged with a small number of scheme managers to undertake deeper regulatory engagement regarding specific areas of risk. The Head of Fund reported that the LCPF was not included in the regulatory engagement and previous attempts to engage with the Pension Regulator on governance and administration in Lancashire had been unsuccessful.

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

7. Lancashire County Pension Fund - Risk Assurance Map

It was reported that the risk assurance map for the LCPF had been developed following an independent assessment of risk assurance in 2016 when the Fund was

undergoing a period of change, particularly with regard to the formation of pooling arrangements.

The Board was informed that maintenance of the map was complex and time-consuming and was no longer considered necessary for the Fund as the key risks and controls could easily be identified from the Risk Register and the Risk and Governance Officer regularly met with the Chief Risk Officer at LPP to discuss monitor and review current risks. Board members were also assured that the 24 observations which had been assessed as part of the formulation of the map were addressed by the existing Risk Register.

Resolved: That the update, maintenance or presentation of the Risk Assurance Map for the Lancashire County Pension Fund be discontinued with immediate effect.

8. Part I reports presented to the previous Pension Fund Committees

The Head of Fund updated the Board on discussions at the Pension Fund Committee held on the 5th July and the 14th September 2018 and decisions taken.

It was reported that the Responsible Investment Working Group had recently met and a revised final version of the Responsible Investment Policy would be recommended to the Pension Fund Committee on the 30th November 2018 for approval. It was also noted that the Chair of the Committee and the Head of Fund had both recently been appointed as Directors on the Executive Board of the Local Authority Pension Fund Forum.

Resolved:

1. That the updates regarding reports considered by the Pension Fund Committee held on the 5th July and the 14th September 2018 and decisions taken are noted.
2. That a copy of the proposed revised Responsible Investment Policy be circulated to all members of the Board outside of the meeting so that any comments can be reported to the Pension Fund Committee on the 30th November 2018.

9. Feedback from members of the Board on pension related training, conferences and events attended since the last meeting.

Mr Pounder reported that as a newly appointed Board member he had found the Introduction to the LGPS on the 26th September 2018 useful in providing a background to pensions.

It was noted that the internal Workshop on 'Analysing the Macro Backdrop for Investing' in September had been well attended and the Independent Adviser had successfully presented complex ideas in an easily understood way.

With regard to the CIPFA Local Government Pension Service Autumn Seminar for Pension Board members on the 12th October, 2018, Ms Moulton reported that there

had been a number of informative discussions and it had been useful to meet with members of other Boards and share ideas. Ms Moulton highlighted the following items as actions points which she had taken away from the conference.

- The 2014 scheme rules require that for members leaving after 31st March 2014, who are entitled to a refund of contributions, then these must be paid before the expiry of 5 years. As a result more breaches were anticipated if Funds were unable to provide refunds within this timescale.
- There were concerns regarding situations where an employer terminates from the fund and an exit credit payment is due to that employer. Primarily in relation to the 3 month deadline required for funds to make payment. However, the regulations do allow discretion for the fund and exiting employers to extend this period.
- That the Board should receive regular updates regarding the Guaranteed Minimum Pension reconciliation and 6 monthly updates in relation to transfers out to Defined Contribution schemes.
- Funds should have a data improvement plan in place to access/monitor how data is being improved with the Board receiving reports on the outcomes of scheme return/data scores. The plan should link into valuation and data preparation, contribution payments etc and not just focus on member data.

Resolved:

1. That the feedback from Board members as set out above is noted.
2. That a report on the Guaranteed Minimum Pension reconciliation be presented to the next meeting and a report on transfers out to Defined Contribution schemes to a future meeting.
3. That a report regarding the LCPF data improvement plan, covering the outcomes of scheme return/data scores and information on valuation and data preparation, contribution payments and member data be presented to a future meeting.

10. Urgent Business

No items of business were raised under this heading.

11. Date of Next Meeting and future programme of meetings

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on the 29th January 2019 in Room CHG: 05 at County Hall, Preston.

Mr Neville informed the meeting that a programme of Board meetings for 2019/20 was being prepared and would be shared with members of the Board once the programme for meetings of the Pension Fund Committee had been approved by the full county council on the 18th October 2018.

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 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of 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

In accordance with the decision of the Board earlier in the meeting the Engagement Manager from the Local Pension Partnership joined the meeting at this point.

13. Part II reports from the last Pension Fund Committee.

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

The Head of Fund updated the Board on discussions and decisions taken at the last Pension Fund Committee in relation to items in Part II of the agenda.

The Board discussed with the Engagement Manager from the Local Pensions Partnership (LPP) the issues which had arisen following the introduction of a new operating model for the pension administration service, including action taken to address the backlog of cases and in relation to improving the service both in the short term and for the future.

Resolved: That the updates regarding reports considered under Part II of the agenda at the Pension Fund Committee on the 14th September 2018 and the decisions taken are noted.

14. Presentation - Update on Pension Administration Communications

(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 Engagement Manager from the Local Pensions Partnership updated the Board on the activity of the Engagement Team with regard to member/employer engagement, the 2018 Practitioners Conference and Annual Benefit Statement Pension Surgeries. The Board noted that during employer visits the Team was encouraging employees to sign up to My Pensions Online and was providing sessions to show employees how to use the system to access information about their pensions.

With regard to the pension administration service Board members voiced their serious concern that six months after the implementation of the administration transformation plan the level of service was still not back to where it was beforehand. They noted that staff are being asked to work substantial levels of overtime to

achieve even this, and are strongly of the view that this is not a sustainable model of operation in the long term.

The Board also noted that the last formal report made available to them at this meeting was two months old, and that nobody from LPP's line management was able to attend to give them a detailed update. In the absence of up to date information members find it difficult to fulfil their legal remit of assisting the Scheme Manager to ensure effective and efficient administration.

Resolved:

1. That the Head of Fund confirm that the Minutes of the Board meeting held on the 3rd July 2018 had been forwarded to the Local Pension Partnership's Board and inform the Board whether any response had been received.
2. That the Minutes of this meeting be forwarded to the Local Pension Partnership's Board to make them aware of the level of the Board's concerns at the deterioration in the pension administration service.
3. That the Manager in charge of the pension administration service at the Local Pension Partnership be requested to present an update to the Board on the 29th January 2019.
4. That the Pension Fund Committee be requested to obtain detailed assurances from the Local Pension Partnership that sufficient resources, management, and governance are to be put in place to ensure that agreed administration service levels are maintained on a long term sustainable basis.
5. That members of the Board be provided with regular updates on the pension administration service on a prompt and timely basis.

The Engagement Manager from the Local Pension Partnership left the meeting.

15. Lancashire County Pension Fund - Breaches Log

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

The Board considered a report which summarised the LCPF breaches log for the period 1st July to 30th September 2018 and noted that whilst there had been some breaches in relation to contribution payments none of them had been deemed as being material breaches in accordance with the Code of Practice 14 guidance. It was also noted that there had been no data breaches during the period covered by the report.

Resolved: That the report is noted.

16. Lancashire County Pension Fund - Risk Register

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

A report was presented on the current Risk Register for the Lancashire County Pension Fund which had been reviewed and updated since it was last presented to the Pension Fund Committee in June 2018

The Board discussed the savings which had been expected to result from the establishment of the Local Pensions Partnership and noted that while some savings had been achieved there were concerns that the reduction in costs of the pension administration service would not be as anticipated. It was noted that the pension administration service was the subject of an independent review, the findings of which would be reported to the Pension Fund Committee in November 2018.

Specific risks identified in the Register were also agreed and the Board agreed that the wording in relation to controls in place to mitigate risks associated with the transformation of the administration business should be amended as some of the referred actions had now taken place. It was also suggested that some form of succession planning be introduced to minimise the impact on the future operation of the Fund if the Head of Fund were to become unavailable for any reason.

Resolved:

1. That the updated Risk Register and LCPF Risk Summary document, as set out in the Appendices to the report presented, are noted.
2. That the Board be informed of the outcome of the independent review of the pension administration service to be reported to the pension Fund Committee on the 30th November 2018.
3. That the Risk and Governance Officer be requested to update the Risk Register to reflect the following:
 - i) the controls in place to mitigate risks associated with the administration transformation.
 - ii) the introduction of succession planning to minimise the impact on the future operation of the Fund if the Head of Fund were to become unavailable for any reason

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire Local Pension Board

Meeting to be held on Tuesday, 29 January 2019

Electoral Division affected:
(All Divisions);

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 various regulatory 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 Local Government Pension Scheme (LGPS) (Miscellaneous Amendment) Regulations 2018 [SI 2018/1366]

As reported in the last update on 3rd October 2018, the Ministry of Housing, Communities and Local Government (MHCLG) opened an eight week consultation on amendments to the LGPS which were necessary to respond to recent legal judgements and meet existing policy objectives. That consultation ended on 29th November 2018 and subsequently the above regulations were laid before parliament on 18th December 2018 and came into force on 10th January 2019 with some backdated provisions.

The regulations now empower the Secretary of State to issue statutory guidance for 'the administration and management of the Scheme', however, they must still firstly consult with relevant parties before preparing and issuing any guidance.

The required amendments have now been made to correct the unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer's consent from age 55, with the appropriate actuarial reduction. This has been backdated to 17 April 2018 (the date that the previous amendment regulations were made that originally made this change). As a fund Lancashire, in line with many other funds, had already adopted the original intention of this regulation so no further administrative action is required on this point.

The Final change is that amendments have now been made in respect of survivors of registered civil partnerships and same sex marriages to replicate the benefits that would be provided to widows. As a Fund we will need to revisit any deaths since 5th December 2005 (in respect of civil partners) and 13th March 2014 (in respect of same sex marriages) and recalculate partner pensions where there have been underpayments, or, payment of a survivor pension where it was previously refused. We anticipate guidance on how to address these cases will be issued shortly, and we will liaise with the Local Pensions Partnership to ensure the necessary actions are carried out.

2 Actuarial factors

The change to the discount rate meant that a number of transfer cases were put on hold from 29 October until new factors were released.

The majority of the transfer related actuarial guidance were released on 19th November 2018. The MHCLG had confirmed that the remainder of the Scheme's actuarial factors would be revised in due course. Their intention was to introduce revised factors from around February/March 2019.

The intention is also to incorporate unisex factors for the majority of the actuarial tables, in addition changes are needed to show adjustments for members with new state pension ages.

However on 9th January 2019 the MHCLG issued revised factors early for:

- Non-club in transfers
- Early retirements
- Trivial commutations
- Pension credits (where the debited member left the LGPS prior to 1 April 2014 or the transfer date is prior to 1 April 2014)
- Pension debits (pre and post 2014)

The early inclusion of the early retirement factors is significant in so far as these are more beneficial to members and were expected to be included as part of the consultation to covering the benefit improvements as part of the cost cap process (detailed in 3/ below). We will liaise with LPP to ensure the new factors are implemented to the software systems as soon as possible.

3 Cost Cap update

Cost management for the LGPS in England and Wales is taking place as part of the wider review of public service pension schemes under HM Treasury directions. The LGPS in England and Wales has a separate cost management process undertaken by the Scheme Advisory Board (SAB) which is completed prior to finalisation of HM Treasury's (HMT) cost cap calculations.

SAB met on 10 October to finalise the methodology and assumptions used for calculating the results of the SAB cost cap mechanism.

The results of the Board's cost management process showed the scheme's total future service cost at 19%. As the target for the process is 19.5% the Board agreed to consider recommendations to return the total cost back to the target under their cost cap mechanism.

It is now expected that a consultation will be published in late January/early February in order that any regulation changes agreed take effect from 1 April 2019. The proposed regulatory changes to be included in that consultation are set out briefly below:

- Ill health
Removal of the third tier of ill health, in effect the current criteria for tier 3 would provide tier 2 benefits in the proposed changes.
- Death in service
Introduction of a minimum payment of £75,000.
- Early Retirement
Enhanced early retirement factors for all members who are active on 1st April 2019. (Implemented on 09 January 2019)
- Employee contributions
Reduction in contribution levels for those earning under £22,500.

If following the consultation these proposals are accepted and submitted for legislation, the HMT process will take the changes into account when determining if the cost cap floor of (2%) has been breached. The rationale is that the changes being proposed by the consultation will mean that the cost cap floor will not be breached and therefore no requirement for further changes to benefits under the terms of the Public Service Pension Schemes Act 2013.

4 Quadrennial valuations

As confirmed in the last board update the scheduled local valuation due in March 2019 will be required and a further national (cost cap) valuation will be undertaken in 2020.

SAB have further advised that discussions are underway to move local fund valuations to a quadrennial timeframe to ensure consistency with future scheme valuations.

5 Pensions Increase

On 17th October 2018, the Office for National Statistics announced that the Consumer Price Index (CPI) rate of inflation for the year to September 2018 was 2.4%. As such we expect that this will be the percentage used to increase pensions in April 2019 although this won't be confirmed until the Pensions increase order is laid in February/March.

6 Fair Deal – Strengthening pension protection – Consultation

This consultation was launched on 10 January 2019 and contains proposals which would strengthen the pension protections that apply when an employee of a Local Government Pension Scheme (LGPS) employer is compulsorily transferred to the employment of an external contractor.

The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS, effectively introducing Fair Deal proposals into the LGPS.

The consultation (which can be found [here](#)) will last for 12 weeks with any responses required by Thursday 4 April 2019.

A brief summary of the proposals are set out below:

- Introduces the concept of a 'Fair Deal employer' (which is wider than the definition of a best value authority) and 'protected transferees' who as a consequence of being employed by a 'Fair Deal employer' will retain the right to participate in the LGPS for as long as they are wholly or mainly employed on the outsourced service (even through any subsequent transfers)
- Removes the option to transfer 'protected transferees' to a broadly comparable scheme rather than the LGPS
- Introduces a new provision for 'deemed employers' as an option to the current requirement for a contractor to have an admission agreement. Under the 'deemed employer' route, the original outsourcing employer remains the employer for pension purposes. This broadly replicates the policy currently adopted by the Lancashire Fund for contractors who are small in comparison to the original outsourcing employer.
- Transfers back into the LGPS from a broadly comparable scheme will be treated as individual transfers into the LGPS using current GAD factors
- Introduces a new provision for the automatic transfer of assets and liabilities within and between funds where there are reorganisations or mergers, without triggering an exit valuation.

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, 29 January 2019

Electoral Division affected: (All Divisions);

Lancashire County Pension Fund – Data Quality report

(Appendix 'A' refers)

Contact for further information: Colin Smith 01772 534826, Technical Advisor,
Lancashire County Pension Fund, colin.smith@lancashire.gov.uk

Executive Summary

The Fund has recently commissioned the Scheme Actuary (Mercers) to prepare a report in relation to the quality of the membership data for the Fund.

A summary of the report's findings is set out in the Appendix to this report. The full report will be shared with the Local Pensions Partnership with a view to addressing the areas of main concern in conjunction with the normal scheduled processes due as part of the 2019 valuation.

Recommendation

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

Background and Advice

The Fund has recently commissioned the Scheme Actuary (Mercers) to prepare a report in relation to the quality of the membership data for the Fund.

In light of the forthcoming valuation the Fund is keen to focus on the quality of the Fund's data to ensure the right benefits are paid to members and that the right contributions are paid by employers. Additionally The Pensions Regulator has indicated their intention to focus on record-keeping and data quality, and this is likely to intensify in the coming years.

The report undertaken by Mercers builds on the data work undertaken as part of the 2016 valuation, to allow for the membership profile as at 31 March 2017 and 31 March 2018.

This report highlights the changes in the Fund's data quality since the 2016 valuation. It captures the results of any data cleansing that has been undertaken by the Local Pensions Partnership since 2016 and will drive the areas of focus ahead of

the next actuarial update for both the Fund as a whole, and the individual employers within the Fund.

The report summarises data inconsistencies for the whole Fund and provides a tool to analyse against individual scheme employers highlighting potential issues (i.e. missing salaries / pensions / date of birth etc.).

Where issues are identified, the report can identify the potential impact on liabilities that may emerge as part of the valuation process for a particular employer e.g. the need to apply more prudent estimates etc. where data is missing or inconsistent. It is hoped that by providing these illustrations, employers will be able to see the potential financial impact on their liabilities and the contributions that may emerge as part of the forthcoming valuation and in turn work with the Fund and the Local Pensions Partnership to ensure such issues are minimised.

At a whole Fund level, the liability impact has been estimated to be potentially **£46m** at **2018**, down slightly from **£50m** at **2017** (highlighting the positive impact of the Fund's data work over the year). As previously mentioned the prudent approach undertaken means that these figures will be at the higher end of the potential impact. However the purpose of using this to engage with employers will be to help them understand the impact and the potential cost of not working to resolve the data issues.

For the majority of the Common Data, the Fund is comparing well as it holds a lot of the key information required. The items that have a major impact generally are those where there are key data items missing (pay or pension contributions) with no data available to make a reasonable estimate. For example, at a whole Fund level for active members, £12m out of the overall liability impact figure of £12.6m related to missing accrued pensions and/or missing/dummy salaries.

In terms of the additional pensioner liabilities the report has highlighted a large number of missing or dubious spouses' pensions for pensioner members. This may be a reflection of the spouse's entitlement not being calculated for single members or other historical inconsistencies. This is the main driver of the liability impact for pensioners where prudent approaches will be undertaken by the Scheme Actuary to calculate contingent spouse's benefits. This represents a significant impact to the additional liabilities and will be an area of focus for the Fund working with the Local Pensions Partnership.

As stated earlier the report provides the Fund and the partnership with a tool to analyse specific data issues against individual scheme employers. However the tool also allows for a summarised position of the Fund membership data quality and this is provided on the attached appendix to this report, comparing each year since 2016.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The lack of accurate data could lead to inflated employer contribution rates due to the more prudent assumptions adopted by the Scheme Actuary as part of the 2019 valuation.

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

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

Lancashire County Pension Fund

ANNUAL SUMMARY OF FUND MEMBERSHIP DATA QUALITY

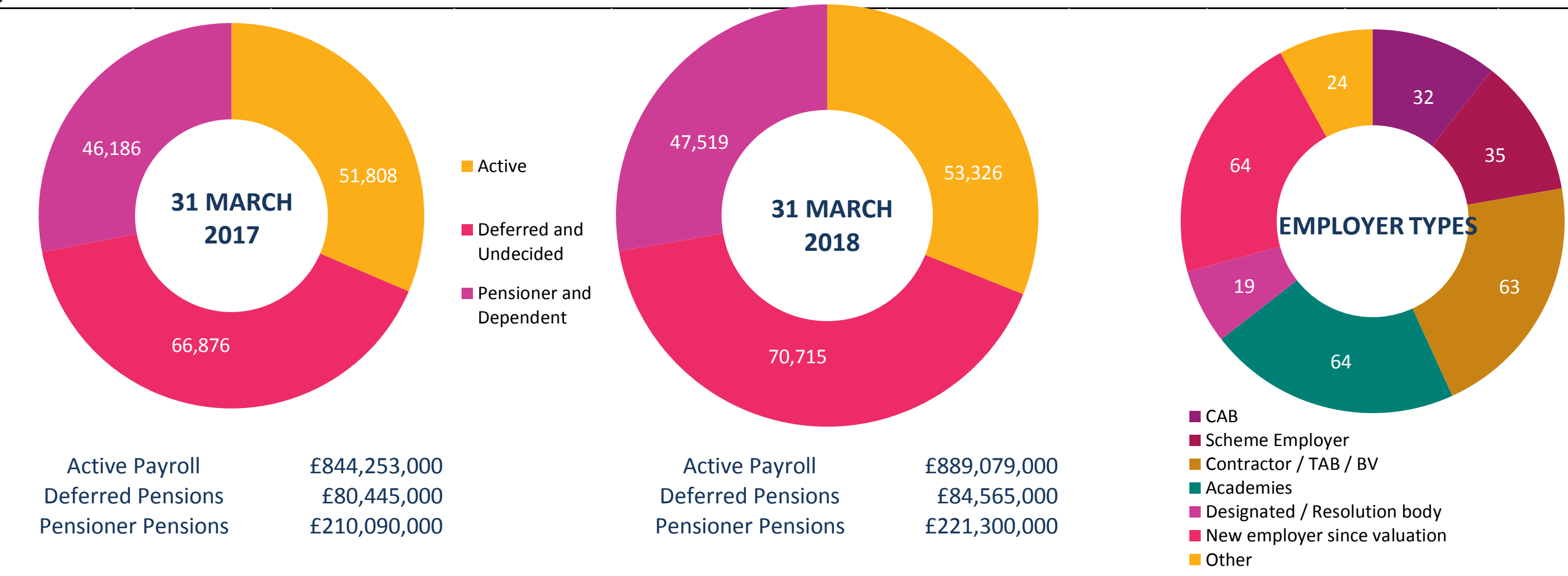


STATISTICS

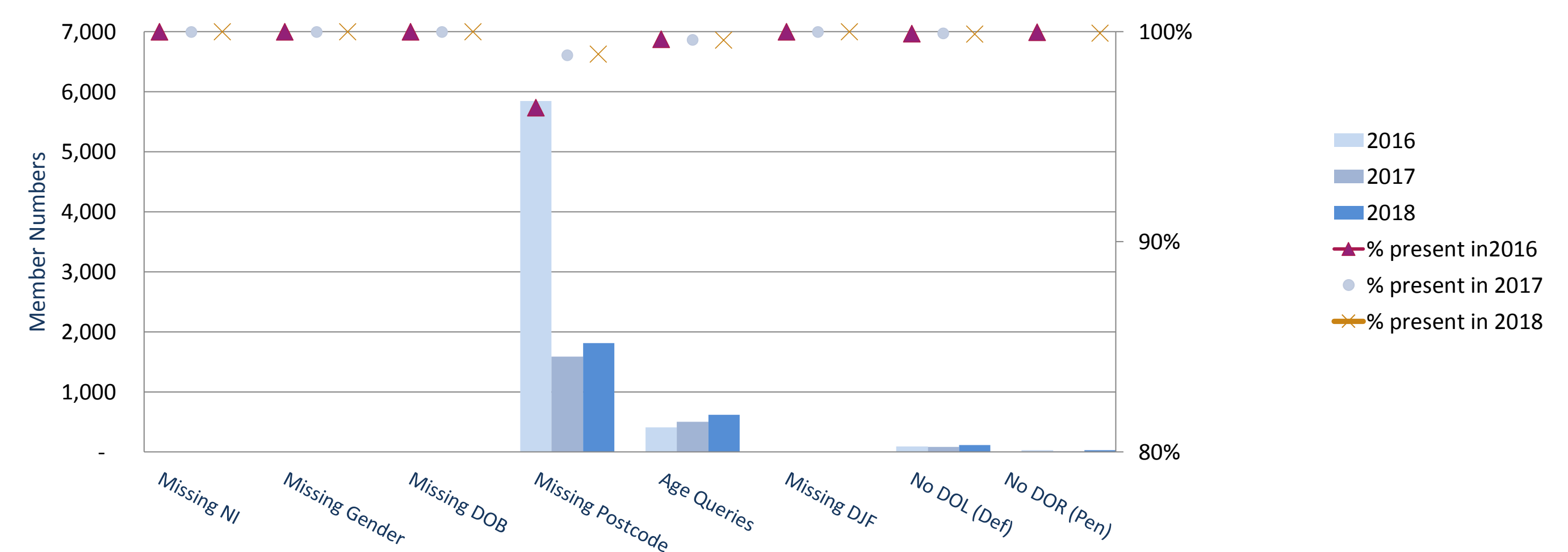
The active membership and pensionable payroll has increased slightly since 2016. There might seem surprising given the overall financial constraints on the sector, and there is no particular discernible reason for this from the data alone. We suspect it may be due at least in part to the continuing effect of auto-enrolment, with a greater proportion of eligible employees becoming members of the scheme rather than an increase in the number of employees who are potentially eligible for membership. The numbers of pensioner and deferred pensioner members has also increased: this is something which we would expect given the maturity profile of the Scheme.

The principal area of common data which is missing/inconsistent relates to missing postcodes, although it is encouraging to see that there has been a substantial improvement since 2016.

The overall potential error of estimation on liabilities has been estimated as £46m, which is down from £50m in 2017, highlighting the positive impact of the Fund's data work during the year.



COMMON DATA



LIABILITY IMPACT

Where data is missing or incorrect (i.e. pension, salary, lump sum, spouses etc), the Actuary is required to estimate this data. A prudent approach will be taken to estimations and this will therefore impact on the liabilities and hence the deficit contributions paid by employers each year. An illustration of the potential impact based on the data provided is shown below:

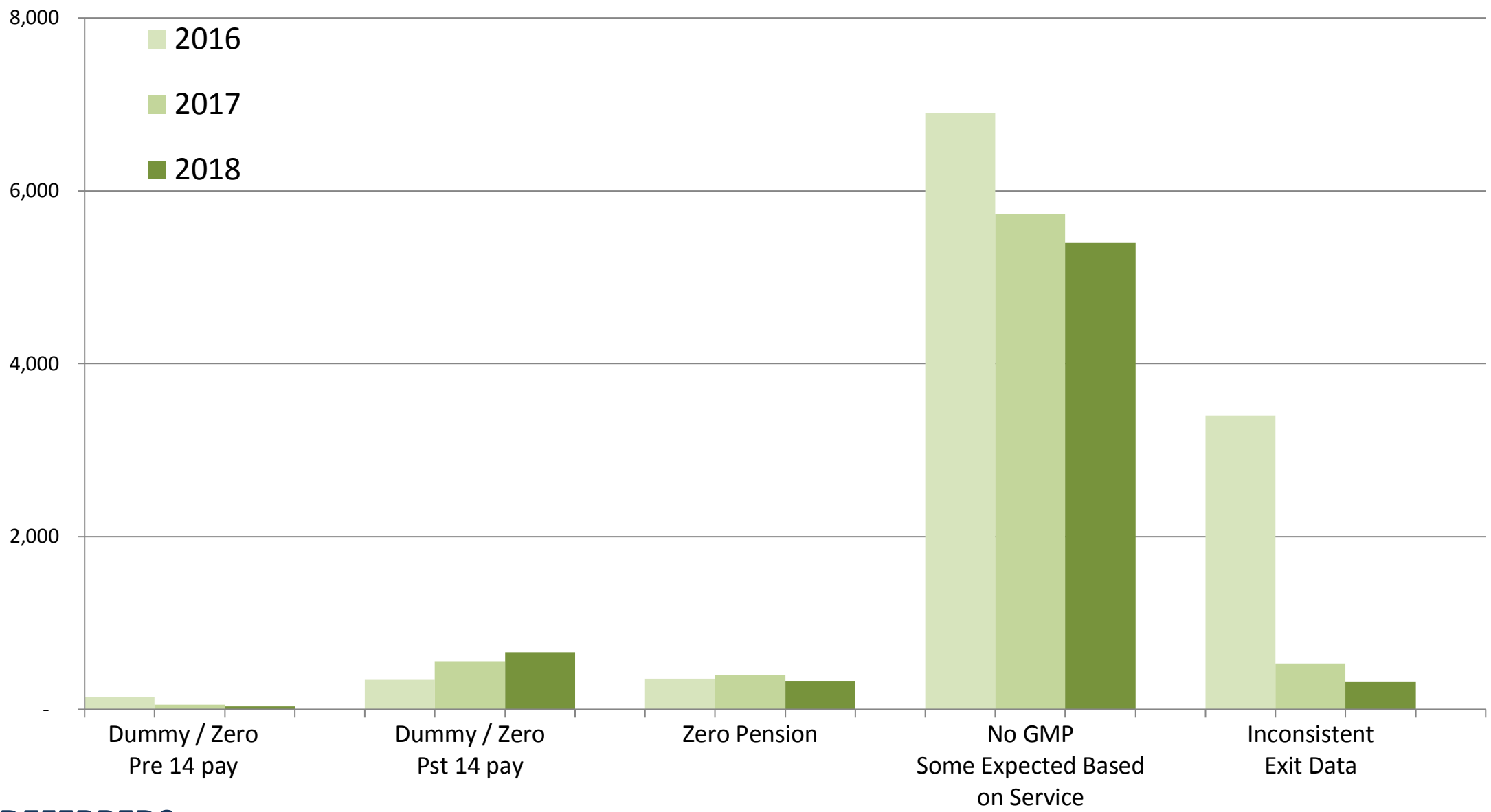
	Active Data Issues	Deferred Data Issues	Pensioner Data Issues	Total Impact
Additional liabilities	£12,631,000	£2,734,000	£30,448,000	£45,813,000
Impact on deficit contributions	£832,690	£180,230	£2,007,260	£3,020,180



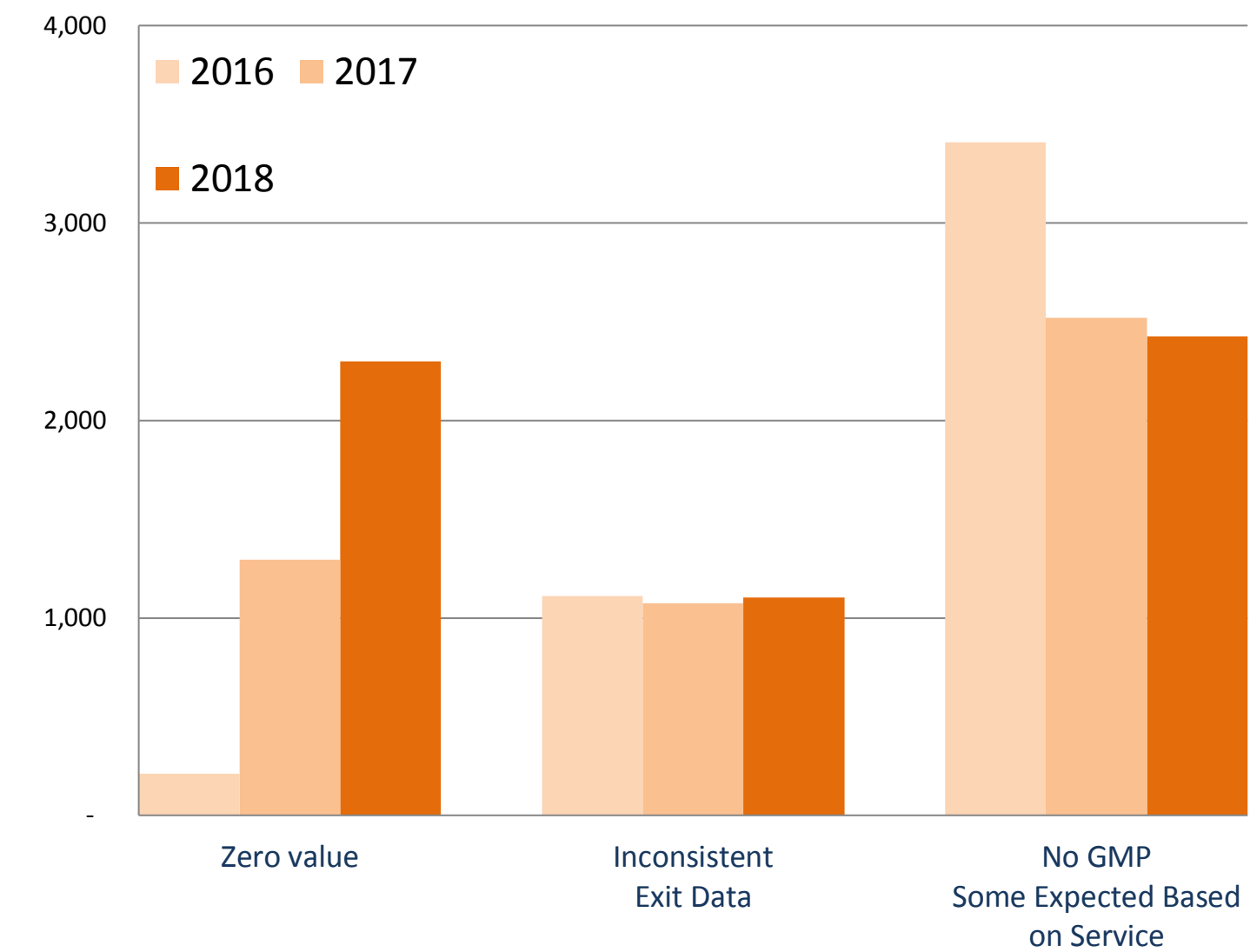
Mercer Limited is authorised and regulated by the Financial Conduct Authority
Registered in England No. 984275 Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU



ACTIVES



DEFERREDS



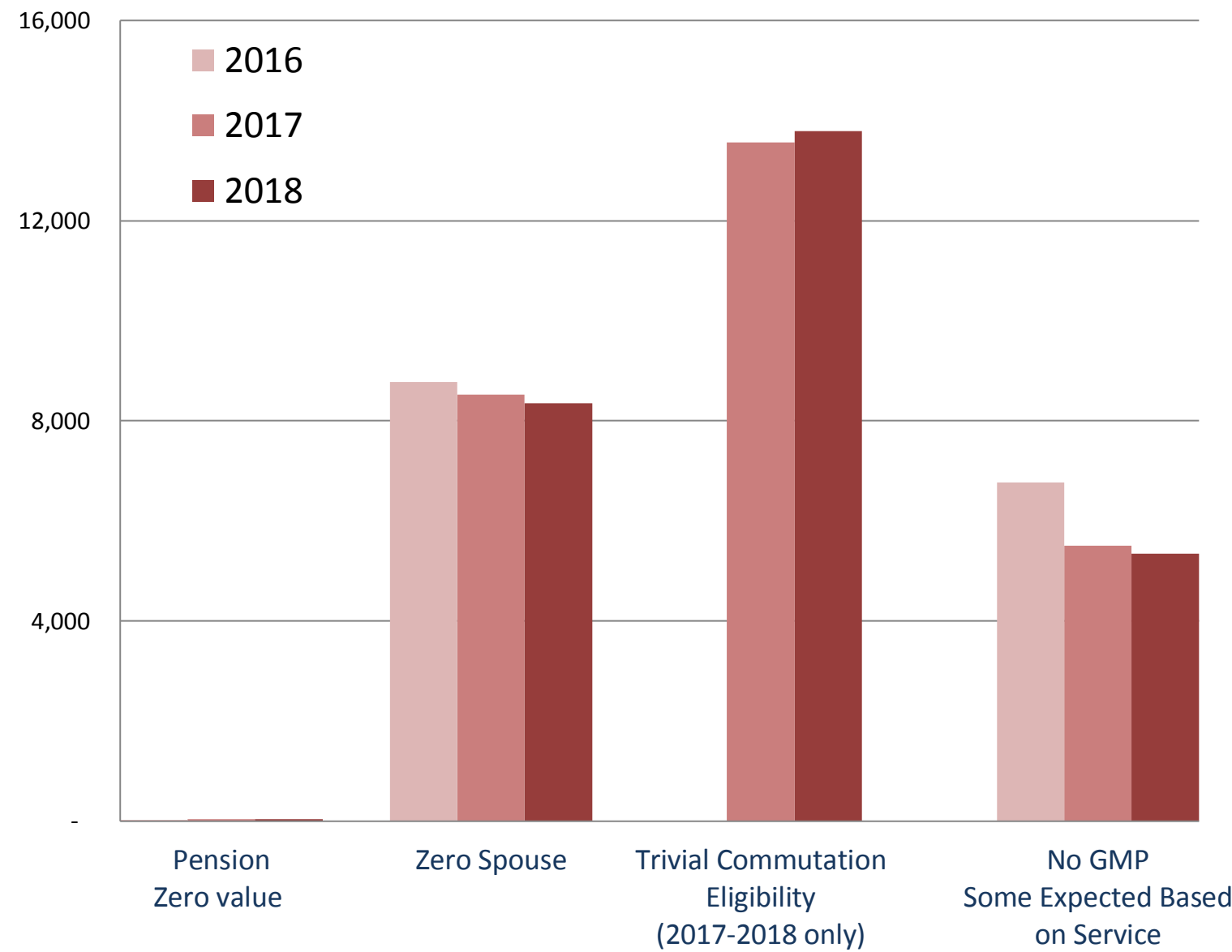
For all three categories of members there has been a general reduction in the number of members with missing GMP records, we suspect due to the reconciliation exercise being carried out with HMRC.

For active members the principal potential financial effects on actuarial liabilities and contribution rates relate to missing pay or pension figures, particularly where there is no / limited data available to make a reasonable estimate. For example, at a whole Fund level for active members, £12m out of the overall liability impact figure of £12.6m related to missing accrued pensions and/or missing/dummy salaries.

For non-active members the main financial issues are around zero/inconsistent pension amounts. Missing spouses' pensions is the greatest contribution to the potential financial effect, albeit this is on a downward trend and we suspect is largely an historic issue.

At any point in time, the number of unprocessed leavers can be significant and this needs to be a constant focus. At actuarial valuation time it is important that the numbers of such cases are reconciled, but provided they are identified the potential financial effects here are much less significant.

PENSIONERS



Lancashire Local Pension Board

Meeting to be held on Tuesday, 29 January 2019

Electoral Division affected: (All Divisions);

Statutory Guidance on Asset Pooling - consultation (Appendix 'A')

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

Executive Summary

Following a request from authorities on guidance around asset pooling the Ministry of Housing, Communities and Local Government have launched a consultation inviting views on draft statutory guidance on asset pooling (attached at Appendix 'A'). This will be an informal consultation with a closing date for responses set at 28th March 2019.

Recommendation

The Board is asked to review the consultation and pass any relevant comments they may have to the Head of Fund who, working with the Local Pensions Partnership and the London Pensions Fund Authority, will provide a co-ordinated response to the Consultation on behalf of the Lancashire County Pension Fund.

Background and Advice

On 3 January 2019 the Ministry of Housing, Communities and Local Government (MCHLG) issued new draft statutory guidance on Local Government Pension Scheme (LGPS) asset pooling. This will set out the requirements for administering authorities, replacing previous guidance and building on previous Ministerial communications and guidance on investment strategies.

The reform of investment management in the LGPS for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Although at different stages of progression, those pools are now operational and continue to develop in terms of expertise and capacity.

In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues.

As such MCHLG are now inviting views on the draft statutory guidance on asset pooling (see Appendix 'A'). This will be an informal consultation with interested parties only which will include Pension Committees and Local Pension Boards.

The consultation will remain open for 12 weeks, closing on 28th March 2019. All responses to the consultation should be sent to LGPensions@communities.gov.uk.

As part of the consultation the Lancashire Fund will work closely with the Local Pensions Partnership as well as the London Pensions Fund Authority to provide a coordinated response.

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		

Local Government Pension Scheme

Statutory guidance on asset pooling

Contents

Foreword

- 1 Introduction**
- 2 Definitions**
- 3 Structure and scale**
- 4 Governance**
- 5 Transition of assets to the pool**
- 6 Making new investments outside the pool**
- 7 Infrastructure investment**
- 8 Reporting**

Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

‘Pool’ the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

‘Pool member’ an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

‘Pool governance body’ the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

‘Pool company’ the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

‘Pool fund’ a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

‘Pool vehicle’ an investment vehicle (including pool funds) made available to pool members by a regulated pool company

‘Pooled asset’ an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

‘Retained asset’ an existing investment retained by a pool member during the transition period

‘Local asset’ a new investment by a pool member which is not a pooled asset

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
- asset transition during the reporting year
- transition plans for local assets
- pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
- ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

Lancashire Local Pension Board

Meeting to be held on Tuesday, 29 January 2019

Electoral Division affected:
(All Divisions);

LCPF Compliance with the Pension Regulator Requirements

(Appendix 'A' refers)

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

Executive Summary

The Pension Regulator (TPR) published its Code of Practice No. 14 (COP14) in April 2015 for public service pension schemes.

A draft compliance statement was presented to the Pension Board in January 2018. The information in this statement has been reviewed and updated, see Appendix A.

The compliance statement indicates that LCPF are compliant with the requirements of the Code of Practice No. 14.

Recommendation

The Board is asked to consider and note the compliance statement attached at Appendix 'A'.

Background and Advice

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

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

1. Governing you 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.

Last year's report highlighted issues regarding data quality, which showed that the 'common data' did not meet the TPR challenging 100% target. There have since been improvements in data quality. The Fund has also undertaken an independent data quality review with its Actuarial advisors, Mercer. This has shown that the Funds 'common data' has improved significantly. Further details of this review are included elsewhere on this agenda.

Overall compliance is good, updates within sub-sections such as 'knowledge and understanding required by board members', 'internal controls', 'maintaining contributions' and 'reporting breaches of the law' - all indicate that overall levels of compliance have improved.

Consultations

The Pension Fund finance team and Local Pension Partnership were consulted as part of updating the compliance statement.

Implications:

N/A

Risk management

There are no significant risk management implications.

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

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

Appendix 'A'

.Code of practice no.14 compliance statement

Section	Sub-section	Legal requirement	TPR's guidance	How we Comply
Governing your scheme	Knowledge and understanding required by pension board members [34 – 60]	<p>A member of the pension board of a public service pension scheme must be conversant with:</p> <ul style="list-style-type: none"> • the rules of the scheme, and • Any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. <p>A member of a pension board must have knowledge and understanding of:</p> <ul style="list-style-type: none"> • the law relating to pensions, and • Any other matters which are prescribed in regulations. 	<ol style="list-style-type: none"> (1) Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding [38]. (2) Schemes should designate a person to take responsibility for (1) [38]. (3) Schemes should prepare and keep an updated list of documents with which they consider pension board members need to be conversant [46] (4) Clear guidance on the roles and responsibilities and duties of boards and its members should be set out in scheme documentation [47]. (5) Schemes should assist pension board members to determine the degree of knowledge and understanding needed [48]. (6) Schemes should provide board members with the relevant training and support that they require [55]. (7) Schemes should offer pre-appointment training or arrange for mentoring by existing board members [56]. (8) Pension board members should undertake a personal training needs analysis [57]. (9) Learning programs should be flexible [58]. (10) Schemes should keep appropriate records of the learning activities of board members [60]. 	<p>The Fund's existing training policy has been amended to reflect the requirements for Knowledge and Understanding. This is reviewed regularly.</p> <p>The Fund's Governance & 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 develop in line with Board member needs. Training needs will be identified in a number of ways including self-identified (by Board members) needs and those identified or suggested by the Fund's officers.</p> <p>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>

Appendix 'A'

				Records are being maintained of all formal training attended by Board members and reported on periodically.
	Conflicts of interest and representation [61 – 91].	<p>In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:</p> <ul style="list-style-type: none"> • that a person to be appointed as a member of the pension board does not have a conflict of interest and • from time to time, that none of the members of the pension board has a conflict of interest. <p>Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.</p> <p>Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.</p>	<ol style="list-style-type: none"> (1) The 'Seven principles of public life' should be applied to all board members [70]. (2) Schemes should incorporate these principles into any codes of conduct (and across their policies and processes) and other internal standards for boards [70]. (3) Take professional legal advice when considering issues to do with conflict of interests [74]. (4) Schemes should ensure that there is an agreed and documented conflicts policy and procedure which should be kept under regular review [76]. (5) Schemes should cultivate a culture of openness and transparency [78]. (6) Board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest [78]. (7) Board members should know how to manage potential conflicts [78]. (8) Pension board members should be appointed under procedures that require them to disclose any interests or responsibilities which could become conflicts of interest [80]. (9) All terms of engagement should include a clause requiring disclosure of all interests and responsibilities which could become conflicts of interest as soon as they arise [81]. (10) All disclosed interests should be recorded [81]. (11) Schemes should consider what important matters or decisions are likely to be considered during, for 	<p>The Local Pension Board has been established having had regard to the requirements set out in legislation and guidance.</p> <p>All Board Members have completed a Register of Interests declaration having had regard to the Board's Code of Conduct and Conflict of Interests Policy, which was approved in October 2015.</p> <p>The agenda for each Board meeting includes a declaration of pecuniary and non-pecuniary interests in relation to matters under consideration on that agenda. Any such declarations are minuted.</p> <p>Registers of Interest will be reviewed on an annual basis and all Board Members received training at an induction session prior to the first meeting of the Board. Advice on potential conflicts can be sought from Democratic Services officers at any time.</p>

Appendix 'A'

			<p>example, the year ahead and identify and consider any potential or actual conflicts [82].</p> <p>(12) Identify, evaluate and manage dual interests [83].</p> <p>(13) Use a register of interests to record and monitor dual interests [84].</p> <p>(14) Capture decisions about how to manage potential conflicts of interest in their risk register or elsewhere [84].</p> <p>(15) The register of interest and other relevant documents should be circulated to the board for ongoing review [84].</p> <p>(16) The register of interest and other relevant documents should be published [84].</p> <p>(17) Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting where necessary [85].</p> <p>(18) Establish and operate procedures which ensure that boards are not compromised by potentially conflicted members [86].</p> <p>(19) Be open and transparent about the way they manage potential conflicts of interest [87].</p> <p>(20) Seek professional legal advice when assessing any option when seeking to manage a potential conflict of interest [88].</p> <p>(21) Membership of boards should be designed with regard to proportionality, fairness and transparency and with the aim of ensuring that the board has the right balance of skills, experience and representation [91].</p>	
	Publishing information	The scheme manager for a public service scheme must publish information about the pension board for	<p>(1) Schemes should also publish useful related information about the pension board such as set out in 96 and 97.</p>	<p>The Board comprises representation from employers and members. All member representatives have a pensions background, and employer representatives are fully conversant with LGPS issues.</p> <p>The Fund has a dedicated web page that includes details such as:</p>

Appendix 'A'

	about schemes [92 – 99]	<p>the scheme(s) and keep that information up-to-date.</p> <p>The information must include:</p> <ul style="list-style-type: none"> • who the members of the pension board are • representation on the board of members of the scheme(s), and • the matters falling within the pension board's responsibility. 	<p>(2) Have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete [98].</p>	<ul style="list-style-type: none"> • Board membership ; • Board terms of reference; • A link to the Lancashire County Council website detailing agendas and minutes of the Board's meetings <p>The Fund publishes all statutory documents on the Your Pension Service website www.yourpensionservice.gov.uk</p> <p>The website is reviewed at least annually and updated accordingly, as are other media such as leaflets/guides etc.</p> <p>Additionally whenever regulatory or other significant changes occur, relevant media/documentation are reviewed and changed at the time.</p>
Managing risks	Internal controls [101 – 120]	<p>The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.</p>	<p>(1) Internal controls should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risks, reviewing breaches of law and managing contributions to the scheme [103].</p> <p>(2) Internal controls should address significant risks which are likely to have a material impact on the scheme [105].</p> <p>(3) Sufficient time and attention should be spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls [105].</p> <p><u>Identifying risks</u></p>	<p>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 Committee every 6 months.</p> <p>The risk register categorises risks into four 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 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>

Appendix 'A'

			<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><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>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>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>
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Appendix 'A'

			<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 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>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 supporting employers to ensure they can comply with the fund's data requirements.</p> <p>It is not possible within this document to specify all areas of compliance with the Regulator's suggested internal control framework, however:</p> <ul style="list-style-type: none"> • Information governance training forms part of induction and annual review; • Member communications are reviewed and fine-tuned in the light of feedback • The Fund has established processes and resources to assess employer covenant and proactively manage the outcome of such assessments.
Administration	Scheme record-keeping [122 – 146]	Scheme managers must keep records of information relating to: <ul style="list-style-type: none"> • member information • transactions, and • pension board meetings and decisions 	<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</p>	<p>Details of Pension Board meetings are available via the Fund's website www.yourpensionservice.org.uk</p> <p>A data cleaning schedule specifies data cleaning activities during the year. The</p>

Appendix 'A'

		<p>Schemes must ensure that processes that are created to manage scheme member data meet the requirements of the Data Protection Act 1998 and the data protection principles.</p>	<p>support record-keeping requirements [125].</p> <ul style="list-style-type: none"> (3) Member data should be subject to regular data evaluation [126]. (4) Schemes should require employers to provide them with timely and accurate data [128 and 130]. (5) Schemes should seek to ensure that employers understand the main events which require information to be passed to the scheme [129]. (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]. (7) In respect of keeping information about the pension board, schemes should also keep records of key discussions [133]. (8) Records should be retained for as long as they are needed [135]. (9) Schemes should have in place adequate systems and processes to enable the retention of records for the necessary time periods [135]. (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]. (11) Schemes should carry out a data review exercise at least annually [138]. (12) Schemes should continually review their data [138]. (13) Upon change of admin system, schemes should review and cleanse data records [140] (14) Schemes should put in place a data improvement plan where poor quality or missing data is identified [141]. 	<p>cleanliness of this data is compared to targets set out by the Pensions Regulator. YPS is working on implementing electronic data quality reporting routines, covering employers' and scheme data quality.</p> <p>LPP is starting extra data cleanse activities in line with valuation year in 2019. 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>LPP 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>
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Appendix 'A'

			(15) Schemes should reconcile member records with information held by the employer [142].	<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> <p>Additionally the Employer Guide sets out in some detail the Fund's specific data requirements.</p> <p>The Fund's Business Continuity Plan specifies actions to mitigate the impact of various scenarios including loss of IT systems.</p>
	Maintaining contributions [147 – 186]	<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</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"> (i) Developing a record to monitor the payment of contributions. (ii) Monitoring the payment of contributions. (iii) Managing overdue contributions. (iv) Reporting payment failures which are likely to be of material significance to the regulator [152]. <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>Established processes are in place to manage employer contributions due, and their payment.</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 in the last two years.</p> <p>Employers, or payroll providers, are required to log-in to the system and input, on a monthly basis, data at a total employer level. The finance team does not have access to 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</p>

Appendix 'A'

		<p>a failure to pay employee contributions on an earlier date in accordance with scheme regulations, schemes should also consider their statutory duty under section 70 of the Pensions Act 2004 to assess and if necessary report breaches of the law.</p>	<p><u>Monitoring the payment of contributions</u></p> <ul style="list-style-type: none"> (4) Schemes should monitor contributions on an on-going basis [161]. (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]. (6) Schemes should have a process in place to identify where payments are late or have been underpaid, overpaid or not paid at all [163]. (7) Scheme managers must record and retain information on transactions (including any employer and employee contributions) [166]. <p><u>Managing overdue contributions</u></p> <ul style="list-style-type: none"> (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]. (9) Schemes should keep a record of their investigation and communications between themselves and the employer [170]. (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><u>Reporting payment failures which are likely to be of material significance to the regulator</u></p> <ul style="list-style-type: none"> (11) Where schemes identify a payment failure, they should attempt to recover contributions within 90 days of their due date [174]. 	<p>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 19th of the month.</p> <p>The system categorises submissions from employers into different 'statuses' for example – '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 and 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 in line with the direct debit deadline then the Fund will collect an amount equal to the previous month. This maintains cashflow 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</p>
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			<p>(12) Where a payment failure is identified it should at least ask the employer the 3 questions set out in 175.</p> <p>(13) Schemes should investigate the payment failure and use their judgement when deciding whether to report to the regulator taking into account the wording of the Code [177].</p> <p>(14) Schemes should consider whether it is appropriate to report payment failures of employer contributions to members where it is reported to the regulator [182].</p> <p>(15) Reports to the regulator should be made in accordance with the code.</p>	<p>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 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>
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Appendix 'A'

	<p>Providing information to members [187 – 211]</p>	<p>The law requires schemes to disclose information about benefits and scheme administration to scheme members and others.</p> <p>The Code summarises the legal requirements around -</p> <ol style="list-style-type: none"> (1) Benefit statements [188 – 195] (2) Other information about scheme administration [196 – 197]. (3) Who is entitled to information [198 – 199] (4) When basic scheme information must be provided [200 – 201] (5) What information must be disclosed on request [202] (6) How benefit statements and other information must be provided [203 – 206] <p>Scheme should also comply as appropriate with other legal disclosure requirements [211].</p>	<ol style="list-style-type: none"> (1) Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension [207]. (2) Information should be clear and simple to understand as well as being accurate and easily accessible [207]. (3) Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date [208]. (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]. (5) Schemes may encounter situations where the time period for providing information takes longer than expected. In these circumstances, schemes should notify the person and let them know when they are likely to receive the information [209]. (6) Information should be readily available at all times to ensure that members are able to access it when they require [210]. 	<p>YPS uses a wide range of communications media such as:</p> <ul style="list-style-type: none"> • An electronic self -service "my pension online" facility and the YPS website, both of which allow members to access pensions information 24/7 • YPS have commenced publishing certain information on line where possible i.e P60s for 2018 were published online. • 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. • Face to face presentations to groups and one to one appointments at pension surgeries are offered to all members • A dedicated helpdesk and email facility are available to members • Whilst not promoted, face to face member support is available via Preston based premises. • Experienced caseworks can be contacted for more technical support (alongside an internal technical team). <p>All information whether electronic, written or face to face is delivered in a simple and</p>
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Appendix 'A'

				<p>clear manner avoiding pension jargon. The details of when and what information is provided to members is contained in the communications policy statement that is published on the YPS website at: https://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e</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"> • for active members the service contacts the employer for up to date details; • for pensioner members contact is made with the member's bank in the first instance, asking the bank to forward a letter on. If this isn't successful then the DWP letter forwarding service is tried. • for deferred members, email is used if the member is registered, if not then the DWP letter forwarding service is used <p>YPS are introducing a member satisfaction survey early in 2019. As part of this efforts will be 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> <p>Details of service standards, targets and processes are published on the Funds</p>
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Appendix 'A'

				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"> (1) In terms of the LGPS, the requirements relating to IDRP are prescribed in the LGPS regulations. (2) Schemes should publish and make IDRP time limits readily available [225]. (3) Schemes should be satisfied that the time taken to reach a decision is appropriate to the situation and be able to demonstrate this, if necessary. [230 and 240] (4) Schemes should provide the applicant with regular updates on the progress of their investigation. They should notify the applicant where the time period for a decision is expected to be shorter or longer than the reasonable time period and let them know when they are likely to receive an outcome [232]. (5) Schemes should focus on educating and raising awareness of their internal dispute resolution arrangements and ensuring that they are implemented [233]. (6) Schemes should ensure that the effectiveness of the arrangements is assessed regularly and be satisfied that those following the process are complying with the requirements set, which includes effective decision making [234]. (7) Schemes should confirm and communicate their arrangements to members, for example, in the joining booklet [235]. (8) Schemes should make their arrangements accessible to potential 	<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) http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33912&e=e</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>

Appendix 'A'

			<p>applicants, for example by publishing them on a scheme website [235].</p> <p>(9) Schemes should ensure they make the following information available to applicants:</p> <ul style="list-style-type: none"> (i) The procedure and processes to apply for a dispute to be resolved; (ii) The information that an applicant must include; (iii) The process by which any decisions are reached; and (iv) An acknowledgement once an application has been received [239]. 	<p>The right to appeal a decision under IDRP is part of all YPS documentation where a decision is being taken that may affect a member or prospective member's benefits, whether that be an administering or employing authority decision.</p> <p>A log of all appeal cases is kept detailing dates when cases are received, acknowledged and determined.</p>
	Reporting breaches of the law [241 – 275]	<p>Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:</p> <ul style="list-style-type: none"> • a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with • the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. 	<ul style="list-style-type: none"> (1) Schemes should be satisfied that those who are responsible for reporting breaches are made aware of the legal requirement and the Code [244]. (2) Training should be provided for scheme managers and pension board members [244]. (3) All others under a statutory duty to report should ensure they have sufficient level of knowledge and understanding to fulfil that duty [244]. (4) Those with a statutory duty to report should establish and operate appropriate and effective procedures in regards to reporting breaches [245]. (5) Those procedures should be in accordance with and take into account paragraphs 245 to 262 of the Code. (6) Reports made to the Regulator should be submitted in accordance with paragraphs 263 to 271. 	<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, 29 January 2019

Electoral Division affected: (All Divisions);

Lancashire Local pension Board – Workplan 2019/20

(Appendix A refers)

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

Executive Summary

This report sets out the proposed work plan for the Lancashire Local Pension Board for 2019/20.

Recommendation

The Board are asked to agree the proposed 2019/20 work plan as set out at Appendix 'A'.

Background and Advice

The proposed 2019/20 work plan set out at Appendix 'A' details the timing and frequency of activity to be undertaken by the Lancashire Local Pension Board and has been designed to ensure all the responsibilities set out in the Board's Terms of Reference can be met.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

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

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		
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N/A		
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Lancashire Local Pensions Board - Work programme 2019/20

Introductory Matters
Welcome/Apologies, Disclosure of interests, Minutes of Previous Meeting, Urgent business, date of next business, exclusion of press and public
Chair's report on the appraisal of the Pension Board and terms of reference
Work Plan for next financial year
Progress on workplan
Feedback from Board members on attendance at training events and conferences
Annual Review of Member Training Records
Reports considered by the recent Pension Fund Committee
Update on regulatory changes
LPP Administration Transformation Plan and progress updates

Key Policy Documents
Terms of reference for Board (Annual Review)
Termination Policy (Annual Review)
Governance Policy Statement (Annual Review)
Pensions Administration Strategy Statement (Annual Review)
Investment Strategy Statement – consideration of investment on non financial grounds
Administration Performance Report (Annual Review)
UK Stewardship Code Compliance (Annual Review)
Review of scheme risk register (bi-annual)
Communications Policy Statement
Funding Strategy Statement
High level scrutiny of LPP (annual review)
Performance
Monitoring of KPIs for administration, complaints, governance and investments
Pension Fund Administration Service Quality of Service Report
Data quality

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

Communications and updates to employers and members
Scrutiny of all annual documents and processes including communications to employers and members, to include:
Formal reports and internal/external reports
Assistance with communication to employers and members as arising out of regulations and current issues.
Results of regulator survey
Review of the board effectiveness
Review of :
a)compliance with COP14.

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

Meeting Date				
29-Jan-19	30-Apr-19	09-Jul-19	15-Oct-19	14-Jan-20
Y	Y	Y	Y	Y
	Y			Y
Y				Y
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2020/21	2021/22	2022/23	Beyond
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Y			
		Y	
Y			2023/24
		Y	
		Y	
Y			2023/24

Note

Actuarial Valuation progress will be provided by considering reports submitted to the the Pension Committee

Lancashire Local Pension Board

Meeting to be held on Tuesday, 29 January 2019

Electoral Division affected: None;

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

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 23rd 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 Policy also applies to the Pension Board and the following conferences, events and internal workshops were attended by members of the Board since the last meeting:

6th November 2018 – Workshop on the Actuarial Valuation at County Hall, attended by R Harvey, Y Moulton, T Pounder and K Wallbank.

5th/7th December 2018 – LAPFF Annual Conference in Bournemouth attended by W Bourne.

17th/18th January 2019 - LGPS Governance Conference in Bristol attended by C Gibson.

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	October to December 2018	Abigail Leech, (01772) 530808

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday, 29 January 2019

Electoral Division affected: None;

Part I reports presented to the previous Pension Fund Committee

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

Executive Summary

This report lists the Part I reports that were presented to the Pension Fund Committee on the 30th November 2018. The Head of Fund will update members of the Board on decisions taken in respect of the reports.

Recommendation

The Board is asked to comment in relation to the Part I reports that were considered by the Pension Fund Committee on the 8th June 2018 and any decisions taken.

Background and Advice

At the meeting on the 30th November 2018 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 14th September 2018**
- **Progress on Delivering the Lancashire County Pension Fund Strategic Plan**
- **Lancashire County Pension Fund - Q2 Budget Monitoring**
- **Responsible Investment**
- **Report of the Responsible Investment Working Group**
- **Feedback from members of the Committee on pension related training, conferences and events**
- **Programme of meetings 2019/20**
 - Friday 21st June 2019
 - Friday 20th September 2019
 - Friday 29th November 2019

Friday 6th March 2020

All meetings to start at 10.30am and be held in Committee Room 'C' The Duke of Lancaster Room, at County Hall, Preston.

- **Date of Next Meetings (February 2019 and March 2019)**

Additional meeting 10.00am on the 1st February 2019 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston to consider the Local Pension Partnership budget for 2019/2020. The subsequent meeting will be held at 10.30am on the 29th March 2019, in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

Members of the Board received notification when the agenda for the Committee was published and available to view on the [County Council 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
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board

Meeting to be held on Tuesday, 29 January 2019

Electoral Division affected: None

2019/20 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 programme of meetings for the Board in 2019/20.

Recommendation

That the 2019/20 programme of meetings for the Lancashire Local Pension Board, as set out below, is approved, with all meetings to be held at 2.00pm in Committee Room 'D' – The Henry Bolingbroke Room at County Hall, Preston.

Tuesday 9th July 2019
Tuesday 15th October 2019
Tuesday 14th January 2020
Tuesday 21st April 2020

Background and Advice

At the meeting on the 3rd July 2018 the Board agreed dates for an additional two meetings which would take the 2018/19 programme of meetings up to the 30th April 2019.

In October 2018 the full county council approved a 2019/20 programme of meetings for its Cabinet and Committees (including the Pension Fund Committee) and as reported at the last Board consideration has been given to dates for the associated programme of meetings for the Pension Board.

After consulting with the Head of Fund and the Chair the following dates are proposed for future meetings of the Board, with all meetings to be held in Committee Room 'D' – The Henry Bolingbroke Room at County Hall, Preston, commencing at 2.00pm

Tuesday 9th July 2019
Tuesday 15th October 2019
Tuesday 14th January 2020
Tuesday 21st April 2020

Consultations

The Chair and Head of Fund were consulted on the proposed dates and all members of the Board were informed of the provisional dates by email in October 2018.

Implications:

This item has the following implications, as indicated:

Risk management

Early approval of a programme of meetings for 2019/20 will enable the members of the Board to plan for and attend future meetings.

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		

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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Agenda Item 17

(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) 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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