

**BOARD** : **LOCAL PENSIONS BOARD**  
**DATE** : **29 October 2019**  
**TIME** : **10am**  
**VENUE** : **Room 2.1, Nicholas House, Blackfriars, Chester**

**LOCAL PENSION BOARD MEETING**  
**10.00 – 12.30**  
**AGENDA**

**PART A**

**1. PROCEDURAL MATTERS**

The Board will:

- a) Receive the minutes of the meeting on 16 July 2019.
- b) Receive the minutes from the Pensions Consultative Forum meeting on 20 September 2019
- c) Review the Actions Tracker
- d) Consider any Declarations of interest

**2. REVIEW OF PENSION FUND COMMITTEE MINUTES**

To receive the minutes from the Pension Fund Committee meeting of 13 September and Investment Sub-Committee minutes from 6 September.

**3. PROJECT CHRYSALIS**

The Board will receive a verbal update on progress with the Funds transformation project known as Project Chrysalis.

**4. UPDATE FROM THE SCHEME ADVISORY BOARD**

The Board will receive a verbal update following the Scheme Advisory Board and its sub-committee meetings as outlined below:

<b>Committee</b>	<b>Meeting Dates</b>
Scheme Advisory Board	8 Jul
Cost Management, Benefit Design and Administration Sub-Committee	7 Oct
Investment, Governance and Engagement Sub-Committee	14 Oct

**5. PERFORMANCE MANAGEMENT FRAMEWORK QUARTER 2 – 2019/20**

The Board will receive the Performance Management Framework covering the period 1 July to 30 September 2019 (along with the quarter 1 comparator – 1 April to 30 June 2019).

**6. THE PENSIONS REGULATOR'S CODE OF PRACTICE/ENGAGEMENT REPORT**

The Board will receive an update on the Fund's compliance against the Code of Practice and will receive a copy of the Regulator's report following its engagement with 10 LGPS Funds.

**7. DATA QUALITY**

The Board will be presented with updated data scores for common and scheme specific data.

**8. COMPLIANCE UPDATE**

The paper also provides a summary of the Breaches Log for the period 1st April 2015 to 31 July 2019.

**9. FEEDBACK FROM EVENTS**

Board members/officers will feedback from recent conferences and seminars attended, including:

- CIPFA/Barnett Waddingham – LPB Autumn Seminar – 8 October
- PLSA Conference – 16-18 October
- LGPS Central – LPB Chair's meeting 28 October

**10. REVIEW AND DEVELOP THE WORK PLAN FOR 2019/20**

The Board will review the revised plan for 2019/20.

**11. AOB**

To note the next Board meeting will take place on 4 February 2020 and that other meeting dates for 2020 are as follows:

- 5 May 2020
- 2 June 2020 – to review the Annual Report/Statement of Accounts
- 14 July 2020
- 27 October 2020

**MINUTES OF LOCAL PENSION BOARD 16 July 2019**  
**PRESENT**

**Board Members:** Peter Raynes (PR) (Chairman), Geoff Wright (GW) (Unison), Cllr Robert Bisset (RB) (CWAC) and Adrienne Laing (AL) (The Challenge Academy Trust)

**Apologies:** Neil Harvey (NH) (GMB)

**Officers:** Heidi Catherall (HC), Dan Harte (DH) Aaron Austin (AA) and Nick Jones (NJ) (Item 3)

**1. PROCEDURAL MATTERS**

The Board reviewed the minutes from the last two meetings on 7 May and 4 June having previously approved them by email.

The Board also reviewed the minutes from the Pensions Consultative Forum (PCF) meeting which took place on the 10 June.

PR said that the interactive breakout sessions that had been introduced into the PCF meeting worked very well and would be a common feature on future agenda's.

HC updated the Board regarding discussions which have been held with Cheshire West and Chester Councils HR department about improving the member experience when retiring. It is hoped that the process can be streamlined within the Council's back office services which should result in information being provided to the Fund in a more timely fashion.

Members of the Board reviewed the Action Tracker and noted that some members are yet to complete the TPR Toolkit. HC will re-circulate the details of how to access the Toolkit.

No declarations of interest were received.

**2. REVIEW OF PENSION FUND AND INVESTMENT SUB COMMITTEE MINUTES**

The Board reviewed the minutes of the Pension Fund Committee meeting which was held on the 7 June and the Investment Sub Committee which was held on the 17 May.

**RESOLVED that****The Board:**

- **Noted the minutes from the Pension Fund Committee and Investment Sub Committee meetings.**

### 3. PROJECT CHRYSALIS

The Board were presented with an update on the Fund's transformation project, known as Project Chrysalis.

NJ gave a verbal update on progress with the re-design of the Fund's website. The new website is being designed with the user in mind and will be split between members and employers at the outset. There will then be clear menus guiding the user to the right place.

Following a discussion which took place at the May meeting, NJ also provided the Board with an outlined of the processes which are undertaken by the Fund in regard to the TUPE transfer of staff from an existing employer.

The Board will continue to receive regular updates on Project Chrysalis.

### 4. UPDATE FROM THE SCHEME ADVISORY BOARD

The Board reviewed the agenda of the Cost Management, Benefit Design and Administration (CMBD&A) Sub-Committee meeting which took place on the 3 June and received an update on the cost cap and the impact of the McLoud case.

The latest Scheme Advisory Board meeting took place on 8 July and at the time the papers for this meeting were issued there was limited information available on the SAB website.

The Board will receive updates from SAB and it's sub-committees at the next meeting in October.

#### **RESOLVED that**

##### **The Board:**

- **Noted the minutes from the CMBDA meeting.**

### 5. PERFORMANCE MANAGEMENT FRAMEWORK Qtr 1 – 2019/20

The Board were presented with the Performance Management Framework (PMF) for quarter 1 (1 April to 30 June 2019), which also contained comparator information from the previous quarter/s.

Board members received updates on key areas of performance from across the Pension Fund.

At the last meeting NH raised the issue of a member who had experienced a number of issues when retiring recently. The majority of these issues related to the employer, however, responses were provided for each of the points made by the member.

#### **RESOLVED that**

##### **The Board:**

- **Reviewed the Performance Management Framework for quarter 1 (1 April to 30 June 2019).**

## 6. RISK REGISTER

The Board reviewed and approved the risk register at the last meeting in May, including the planned risk actions which are required to further mitigate each risk. There are five planned risk actions identified in the 'register.

One is for the Board members to complete the TPR Toolkit which some members have already completed. All Board members are encouraged to complete the Toolkit.

The Fund is also updating the joint training and development policy for Committee and Board members and this will assist with knowledge and understanding.

Another planned risk action relates to Board members attendance at external events and, to ensure that all important events are attended by at least one board member. Officers will develop a calendar of key conferences, seminars and other external events. Board members can then distribute attendance across the group to ensure they are all attended.

The remainder of the planned risk actions relate to attendance and meetings and succession planning. A couple of members will reach the end of their tenure next year so it will provide a good opportunity to explore options for shadowing and replacing existing posts.

The register will next be reviewed at the end of September.

### **RESOLVED that**

#### **The Board:**

- **Identified the specific actions which are required in order to implement/embed the planned risk actions identified in the risk register.**

## 7. CASEWORK LIMITS / GMP

The Board received an update on the Fund's progress in completing the GMP project and were requested to approve the approach to under and over payments resulting from the rectification element of this project.

The Fund have adopted the approach suggested by HM Treasury which states that for all underpayments the Fund will rectify any underpayment and backdate it to the date the GMP payment commenced.

The Board were also presented with a summary of casework limits which the Fund work's to in order to ensure operational efficiency. These low value limits allow the Fund reduce casework workload.

Board members considered and approved the approach to the casework limits and recommended to the Pension Fund Committee that they are adopted.

### **RESOLVED that**

#### **The Board:**

- **Provided their support for the approach to under and over payments of GMP's and recommended that the Pension Fund Committee approve it.**

- **Provided their support for the approach to casework limits and recommended that the Pension Fund Committee approve it.**

## **8. INTERNAL AUDIT ASSURANCE**

The Board were presented with a report from the Councils Internal Audit department which outlines their approach to assessing the Fund's Internal Control Framework.

The report also included details of audits which have been carried out in the past year along with an overview of the new approach to auditing the administration casework for the Fund which will be based on a 5 year rolling cycle of audits.

## **9. THE PENSIONS REGULATOR'S CODE OF PRACTICE 14**

The Board were presented with a progress report on the schemes compliance with the Pensions Regulators code of practice 14 and were reminded that funds overall compliance with the code is 85%.

Work is progressing in all four areas which make up the 15% where the Fund is not yet fully compliant. The Board will receive a further update at the next meeting in October.

**RESOLVED that**

**The Board:**

- **Agreed the proposed reporting timescales for the next compliance update to be provided in October.**

## **10. DATA QUALITY**

The Board were presented with the updated TPR Data Scores for June 2019 along with an explanation of how the Fund have/will clear the errors identified from the report. The Fund completes this exercise on a quarterly basis then clear as many errors/omissions as possible each quarter.

The Board were also updated on the position with the Local Government Association (LGA) who are attempting to produce a standardised data set for Scheme Specific Data. This standard data set is now made up of 22 data items.

Whilst the Fund agrees with the list of 22 items it is not currently in a position to report on them as this would require considerable development to be able to accurately report on each individual item. The Fund's database provider is part of the LGA working party and it is hoped that they will develop a report that the Fund can use, probably from 2020 onwards.

In the meantime the Fund will continue to report on Scheme Specific Data using its 'Foundation' approach previously approved by the Board.

**RESOLVED that:**

**The Board:**

- **Noted the Fund's data scores for June 2019.**

- **Noted the SAB's approach to developing a standard data set for Scheme Specific data and the Fund's position of maintaining the 'Foundation' approach.**

## 11. COMPLIANCE UPDATE

The Board were presented with a summary of the breaches log for the period 1 April 2015 to 31 March 2019, noting that a total of 269 breaches had been logged over the period.

The Board noted the actions that the Fund continues to take in chasing the employers who have outstanding contributions due to the Fund.

### **RESOLVED that:**

#### **The Board:**

- **Noted the cumulative summary of the Breaches Log for 1 April 2015 to 31 March 2019.**

## 12. FEEDBACK FROM EVENTS

Members of the Board provided feedback from the various events they had attended.

- CIPFA/Barnett Waddingham – LPB Annual Seminar – 26 June 2019
- LGPS Central – SAB/LGA Training – 27 June 2019
- LGPS Central – Responsible Investment – 9 July 2019

GW attended the LPB Annual Seminar on 26 June and circulated the slides to Board Members.

PR fed back from the SAB/LGA training event which was attended by Board members from each of the Funds within LGPS Central. The event was well received and the feedback was positive with the majority requesting a repeat of the event in a year's time.

### **RESOLVED that:**

#### **The Board:**

- **When Board members attend events they will circulate copies of the slides to all members to help inform future agenda items.**

## 13. REVIEW AND DEVELOP THE WORK PLAN for 2019/20

The work plan for the Board has been re-designed so that it now itemises the topics to be covered at each of the four main meetings during the year.

It was agreed with Board members that updates on routine subjects, such as Data Quality and Compliance with the TPR CoP will be provided twice a year to allow more time on each agenda to delve into the detail of other subjects.

The Board requested that officers update the plan with additional areas that the Board would like to consider in future, such as the Fund's Responsible Investment Policy and the approach to cyber security.

**RESOLVED that:**

- **The Board reviewed the amended work plan for 2019/20.**
- **The Board requested that the plan be updated with the additional topics as outlined above.**

**14. AOB**

The AVC training session took place immediately after this meeting.

The next meeting will take place on the 29 October. Meeting dates for 2020 have been set as follows:

- 4 February 2020
- 5 May 2020
- 2 June 2020 – to review the Annual Report/Statement of Accounts
- 14 July 2020
- 27 October 2020

Board Members are requested to check their diaries and confirm if there are any issues with the dates proposed.

HC advised the Board of the proposed move to using Modern.gov for the distribution of future papers. This will bring the Board into line with the main Committees of the Council. It is proposed Modern.Gov will be used for the next meeting in October.

**GROUP** : **PENSION CONSULTATIVE FORUM**  
**DATE** : **20/09/2019**  
**TIME** : **10am**  
**VENUE** : **Crowne Plaza, Chester**

Present:

Chair	Peter Raynes (PR)
Adoption Matters	Karen Davies (KD)
ANSA	Angela McBride (AM)
Cheshire West and Chester Council	Rosemary Hodgson (RH)
Cheshire East Council	David Worrall (DW)
Cheshire Police	Michael Nulty
Cheshire Fire and Rescue	Jill Swift (JS)
The Guinness Partnership	Andrew Wilson (AW)
TSC Recruitment and Pay	Rebecca Danby (RB) and Chris Pleavin (CP)
Warrington BC	Helen Barr (HB) and Nicola Kane (NK)
Cheshire Pension Fund	Maggie Sheppard (MS), Heidi Catherall (HC), Nick Jones (NJ), Jenny Brien (JB), John Coombes (JC), Ian Fullerton (IF), Julie Hudson (JH), Jen Lowe (JL) and Sarah Williams (SW)

Apologies:

Birchwood Town Council	Gary Crow
Cheshire Police	Wendy Bebbington
Chester University	Eddie Austin
Halton BC	Richard Rout and Yvonne Caldwell
Mottram St Andrew Primary School	Helen Woolley
Sanctuary Housing Trust	Gareth Deeble
Warrington BC	Wayne Kelly

Item	Minute
1	<p><b>Minutes of the Last Meeting</b></p> <p>The minutes of the 10 June meeting were reviewed and approved, having previously been circulated via email. Officers provided a verbal update on progress with the actions from the last meeting, as follows:</p> <ul style="list-style-type: none"> <li>• <b>Circulate a list of all payroll providers for employers in the Fund to Forum Members</b>            HC circulated a list of the payroll providers known to the Fund. The Fund can put employers in touch with each other where they have the same payroll provider if that would help them in the move to Monthly Interfacing (MI).</li> <li>• <b>Forum members to provide feedback on the retirement guides.</b>            No feedback had been received as yet. A further version had been sent out to Forum members. Forum members were asked how they planned to use the guides ?           <ul style="list-style-type: none"> <li>○ Guinness – will be putting a guide on their website and are considering if they can</li> </ul> </li> </ul>

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	<p>make one generic guide for all schemes they provide.</p> <ul style="list-style-type: none"> <li>○ Officers encouraged the Forum to use the guides and share access to them with their employees.</li> <li>● <b>Officers to produce an article which outlines what information the Annual Benefit Statement contains and what employees should check once they receive it. The article to be shared with Forum members to include in their own staff publications.</b></li> </ul> <p>This was considered but timings with the main ABS distribution meant the fund didn't want to confuse matters by sending a communication out at the same time.</p> <p>The fund has written to all members who did not receive their ABS and informed their employer as well.</p>
2	<p><b>Project Chrysalis Briefing</b></p> <p>HC gave an update on the Fund's change management project known as 'Project Chrysalis'. Key developments to note are summarised below:</p> <p><b><u>Customer Service/Demand Management</u></b></p> <ul style="list-style-type: none"> <li>● A "customer" charter is being developed. A draft will be circulated to the Forum for comment prior to it being shared more widely with Employers.</li> <li>● The Client Relationship Manager role previously briefed to the Forum will go live October 2019 onwards.</li> <li>● Customer Satisfaction Surveys have been introduced to get feedback from members. It is a challenge to get members to feedback and Forum for any suggestions as to how this could be improved.</li> <li>● Work is continuing on the new Fund website. A main change is that it will be clearly split between Members and Employers.</li> <li>● Implementation of an offsite printing solution for use by pension team staff is being introduced. This will contribute to streamlining business processes.</li> </ul> <p><b><u>Process Redesign</u></b></p> <ul style="list-style-type: none"> <li>● Officers continue to review systems and processes to see if they can be completed more efficiently.</li> <li>● A robust and standardised set of reporting tools is being explored for the investment and accounting team</li> </ul> <p><b><u>Technology/Systems</u></b></p> <ul style="list-style-type: none"> <li>● Officers have a detailed roadmap of technology developments for the key pension administration database. This includes completion of Monthly Interfacing (MI), automation of casework processes and online facilities.</li> <li>● Member Self-Service is being explored to improve self-serve options, for example modellers and calculators for pension estimates, update personal information etc.</li> <li>● An updated data management strategy (DMS) is needed to set out data sources, data processing roles, retention periods, deletion rules etc. The DMS will be introduced once all employers have moved to MI and there is one standard way of receiving the majority of data.</li> </ul> <p><b><u>Team Development</u></b></p> <ul style="list-style-type: none"> <li>● Staff training – work continues to deliver a multi skilled team where staff can deal with</li> </ul>

Item	Minute
	<p>the full range of pension caseload rather than staff specialising in certain tasks. This is a long term training project. The Training and development strategy is being designed for staff. Classroom based training is being introduced to ensure consistency and train more staff at one time.</p> <ul style="list-style-type: none"> <li>• All pensions staff have received customer service training and all team leaders are enrolled on a management and leadership course.</li> </ul>
<b>3</b>	<p><b>Client Relationship Manager Role (CRM)</b></p> <ul style="list-style-type: none"> <li>• IF presented an update on the CRM role which supports the Administration Strategy.</li> <li>• The role is needed due to the increased complexity of the scheme regulations, growing employer numbers and the desire to improve communications with employers. It will provide a single point of contact for all strategic issues.</li> <li>• There will be three CRMs all senior experienced staff, delivering a consistent service to the employer base. CRMs will initially meet employers who have more than 100 members. Other methods of communication and/or group meetings will be adopted for all other employers.</li> <li>• CRMs will work on a geographical basis is as follows:             <ul style="list-style-type: none"> <li>○ Julie Hudson CRM for Employers located in Cheshire East;</li> <li>○ Ian Fullerton (covering initially for Matt Phoenix) CRM for Employers located in Cheshire West and Chester</li> <li>○ Jenny Brien CRM for Employers located in Halton and Warrington</li> </ul> </li> <li>• Forum members are requested to consider who would be the best contact from their organisations to attend initial liaison meetings with the CRMs.</li> <li>• Liaison meetings will discuss a range of topical issues including Administration Strategy performance (employer and Fund); employer developments such as restructures/redundancies so that resulting caseload can be planned for and managed ; platform for Employer to raise any issues/concerns that need escalating.</li> <li>• Day to day caseload will continue to be managed as currently.</li> <li>• For the role to be effective employers' representatives are asked to prioritise agreed CRM meetings in diaries and to suggest items for the agenda. The role is intended to foster two way communication with any agreed action points documented.</li> </ul>
<b>4</b>	<p><b>Year End and Annual Benefits Statements (ABS)</b></p> <ul style="list-style-type: none"> <li>• JB presented an update of the LGS50 year-end contributions exercise and the Annual Benefit Statements.</li> <li>• At the deadline for employer returns 28.8% had been received on time and without errors. The remaining returns were either received late and/or with errors. This had a major impact on Fund resource in chasing missing/incorrect information.</li> <li>• Despite these issues the Fund was able to send 85% of ABS by the by 31 August deadline, which was an improvement from the 77% in 2018.</li> <li>• HC reiterated that the regulations state the fund <b>must</b> issue Annual Benefit Statements to 100% of the membership by 31<sup>st</sup> August each year. Due to late receipt of data or outstanding data queries this regulatory target was not met. As a consequence this has been reported to the Pension Regulator as Breach and the fund has a statutory duty to send the remaining ABS out within defined timelines.</li> </ul>

Item	Minute
	<ul style="list-style-type: none"> <li>• It was emphasised how important it is for employers to respond promptly to requests for information and to contact us if there are any problems in providing it.</li> <li>• JB added that other funds who had moved fully to monthly interfacing were reporting much lower queries for employers and record numbers of ABS issued on time.</li> </ul>
5	<p><b>Break Out Session – Annual Benefit Statements</b></p> <p>See appendix 1</p>
6	<p><b>Monthly Interfacing</b></p> <ul style="list-style-type: none"> <li>• JC provided the Forum with an update of how Monthly Interfacing (MI) is progressing. <ul style="list-style-type: none"> <li>○ 32 employers are live and 15 more are expected to on-board in September.</li> <li>○ Employers are encouraged to contact the Fund and agree an on boarding date as soon as possible. Officers will provide the necessary support through the process.</li> </ul> </li> <li>• There are dedicated staff within the team to support employers as they move over to MI.</li> <li>• The advantages of MI were reiterated – including eliminating starter notifications, most leaver notifications, year-end LGS50 processes and streamlined ABS production. MI also means that queries can be dealt with in real time and not retrospectively at year end.</li> <li>• The MI team has produced video user guides which can be found in the CPF website: <a href="http://www.cheshirepensionfund.org/employers-2/monthly-interface-homepage/">http://www.cheshirepensionfund.org/employers-2/monthly-interface-homepage/</a></li> </ul> <p>• <b>The deadline for all employers to have moved to MI is 31 March 2020.</b></p> <p><b>EMPLOYER ACTION:</b></p> <ul style="list-style-type: none"> <li>○ Employers were encouraged to take the earliest opportunity to convert to MI and avoid a rush later in the year.</li> <li>○ If any employers have not been contacted about MI please let JC know so that he can arrange a follow up.</li> </ul>
7	<p><b>Triennial Valuation</b></p> <ul style="list-style-type: none"> <li>• NJ presented an update on the 2019 Valuation and the upcoming Employer meetings.</li> <li>• NJ explained that the valuation is a “health check” every three years and is a comparison of the value of pension liabilities and assets.</li> <li>• Key factors informing the 2019 valuation are <ul style="list-style-type: none"> <li>○ Membership for all types of members, actives, deferred and pensioners continues to increase, as do contributions paid in but also pensions paid out</li> <li>○ Pay growth is forecast to be higher than in 2016 due to the relaxation of the public sector pay freeze</li> <li>○ 50:50 take up is very low locally and is assumed to be cost neutral</li> <li>○ Benefits for current members will be payable up to 80 years in the future.</li> <li>○ The actuary must make an assumption about future investment returns and models different risk and return scenarios. For this valuation, future returns have been assumed at 3.2% per annum. This is slightly lower than the 2016 valuation</li> <li>○ There have been fewer ill health retirements than assumed since 2016</li> <li>○ Future inflation is expected to be higher than assumed at the last valuation and</li> </ul> </li> </ul>

Item	Minute
	<ul style="list-style-type: none"> <li>○ Life expectancy improvement rates are slowing but people are still expected to continue to live longer.</li> <li>● These assumptions are important because any under or over provision or undue risk ultimately impacts employer contribution rates.</li> <li>● Whole fund results show that the fund's assets cover 99% of the fund's liabilities, an improvement on the 90% assessed in the 2016 valuation</li> <li>● Individual employer results and contributions rates are being worked through, but the funding position has typically improved across the board which should flow into contribution rates.</li> <li>● Invites will be sent to larger employers for individual meetings with the fund and there will be two employer meetings held in the Portal Golf and Spa Hotel in Tarporley. A meeting for academies will be held on 01<sup>st</sup> November and all other employers on 31<sup>st</sup> October. Invites will be sent out early next week.</li> <li>● For those employers having valuation one to one meetings the fund will take the opportunity to introduce the CRM who will also attend.</li> </ul>
8	<p><b>Employer's Data Retention Policy</b></p> <ul style="list-style-type: none"> <li>● NJ provided information about the Local Government Association's (LGA) proposed data retention policy for Employers. This national initiative helps employers understand what LGPS related data should be kept and for how long. This will avoid difficulties obtaining data where employers have changed payroll provider.</li> <li>● The LGA template will be issued in the next employer newsletter with employers incorporating it into its data protection policy.</li> <li>● Key LGA messages are:           <ul style="list-style-type: none"> <li>○ Personal data needs to be kept for 15 years</li> <li>○ Salary/Pay data needs to be kept for 13 years</li> <li>○ Hours worked data needs to be kept for pre 2014 membership and job descriptions will need to be retained too.</li> </ul> </li> <li>● The fund will develop and communicate the approach it will apply in the circumstances where the employers no longer holds membership or pay data required to calculate benefits due.</li> </ul> <p><b>EMPLOYER ACTION</b></p> <ul style="list-style-type: none"> <li>○ Comment on the proposed Employer Data Retention Template policy and template when circulated</li> <li>○ Consider and comment on any barriers that employers might face in meeting the requirements of the policy</li> </ul>
9	<p><b>Break Out Session – Website</b></p> <p>See Appendix 2</p>
10	<p><b>Good Governance Project</b></p> <ul style="list-style-type: none"> <li>● HC provided information about the Scheme Advisory Board's Good Governance Review Project.</li> </ul>

Item	Minute
	<ul style="list-style-type: none"> <li>• In the last 10 years governance in the LGPS has moved on significantly and now falls under the remit of the Pensions Regulator.</li> <li>• There have been numerous regulatory changes since 2014, notably the CARE scheme, Pension Boards and investment ‘pooling’.</li> <li>• With all these changes in mind the Scheme Advisory Board (SAB) commissioned a review of existing LGPS governance by Hymans Robertson Actuarial Consultancy.</li> <li>• The review has reported and made a number of key recommendations including               <ul style="list-style-type: none"> <li>○ A prescriptive one size fits all governance model would be unhelpful.</li> <li>○ The focus should be on governance outcomes and the minimum standards to be achieved.</li> <li>○ regular independent review of governance arrangements</li> <li>○ enhanced training requirements for pension committee members and senior officers within administering authorities involved in pension matters</li> </ul> </li> <li>• The SAB has set up two working groups to look at the review outcome to develop recommendations for guidance to take to MHCLG. The working groups are:               <ul style="list-style-type: none"> <li>○ defining good governance outcomes and developing associated guidance</li> <li>○ options to determine independent assessment of those governance recommendations</li> </ul> </li> <li>• Further information is awaited and will be briefed to employers at future meetings</li> </ul>
11	<p><b>Round Table briefing</b></p> <ul style="list-style-type: none"> <li>• CP queried whether you could still take 100% of your AVC in tax free cash. The answer is yes in principle, providing AVCs are taken the same time as LGPS benefits and subject to tax thresholds.</li> </ul>
12	<p><b>AOB</b></p> <ul style="list-style-type: none"> <li>• Ill Health Insurance – IF provided a reminder of the ill health insurance product available to employers to help smooth the cost of increased ill health retirements. It is provided by Legal &amp; General in association with Hymans Robertson. The cost of the insurance is netted off employer contributions. Officers are not marketing this product, just highlighting its availability. It is topical to remind employers that this and other such products exist as they consider their individual valuation results.</li> <li>• Employer Newsletter – Employers should expect the next issue in the coming weeks</li> <li>• CFO Briefings – linked to the employers newsletter the CFO briefings are being reintroduced.</li> <li>• Chair confirmed he looked forward to seeing everyone at the Employer meeting on the 31 October.</li> </ul>

## Cheshire Local Pension Board – Actions Tracker

**October 2019**

Date	Item Raised Under	Action	Progress	Update from 29 October 2019
29/10/19	Minutes – 16 July 2019	TPR Trustee Toolkit	<p>A summary of the TPR 21<sup>st</sup> Century Trustee Guidance, including the toolkit has been produced. Officers have summarised the results of modules completed by Board members to date.</p> <p>Board members will complete the Toolkit as soon as possible and send the results to the Fund so that a central record can be held.</p>	
29/10/19	Item 5 PMF – 16 July 2019	Administration Report	Officers will re-design the administration report within the PMF and capture detail including; how the Fund has performed, the position on backlogs, other challenges facing the Fund, measures being deployed to tackle the issues etc.	

# Scheme Advisory Board

## Agenda

1.00pm, Monday 8th July 2019

Item		Timings
1	Welcome, apologies and introductions	1.00
2	Declarations of conflicts of interest	1.05
3	Actions and agreements from meeting of 8 <sup>th</sup> April – <b>Paper A (BH)</b>	1.10
4	Good Governance Project – <b>Paper B (BH)</b>	1.15
5	Response to MHCLG consultations – <b>Paper C (JH)</b>	1.45
6	Pensions tax - Update	2.10
7	Cost management and McCloud – Update	2.15
8	Local Pension Board Survey – <b>Paper D (BH)</b>	2.30
9	Cost Management committee report – <b>Paper E (BH)</b>	2.40
10	Regulatory changes recommended by the National Technical Group – <b>Paper F)</b>	2.50

AOB and date of next meeting

Meeting venue is Room 3 & 4, 18 Smith Square, Westminster, London SW1P 3HZ.

<https://www.google.co.uk/maps/place/Westminster,+London+SW1P+3HZ/@51.4955666,-0.1289997,17z/data=!3m1!4b1!4m5!3m4!1s0x487604c2f22fcf31:0x4d27e283349ac875!8m2!3d51.4955757!4d-0.1267826>

Please report to reception who will direct you to the meeting room.

# Cost Management, Benefit Design and Administration Committee

DATE:	07 October 2019
VENUE:	Victoria Room, 18 Smith Square, London SW1P 3HZ
TIME:	1.00PM – 3.00PM

## AGENDA

Item		Page(s)	Timings
1	Welcome, introductions, apologies and declaration of interests	-	1:00
2	Matters arising -	<b>Paper A</b>	1:05
3	McCloud/Cost Management Process – Update		1:15
4	Good Governance Project - Update		1.25
5	Academies and 3rd Tier Employers projects – Update		2.00
6	TPR annual scheme return - Update		2.15
7	TPR Cohort Report -	<b>Paper B</b>	2.25
8	AOB CMI request for scheme data – Mike Scanlon		2.50
9	Date of next meeting		2:55

# Investment, Governance and Engagement Committee

## Agenda

1.00pm – 3pm on 14<sup>th</sup> October 2019

### Item

1. Introductions, apologies and declaration of interests
2. Actions and Agreement from meeting of 28<sup>th</sup> August 2019 (**Paper A**)
3. Good Governance project (**Paper B**)
4. Cost transparency - Update
5. Responsible investment – Update and (**Paper C**)
6. FCA Stewardship Code - Update
7. Scheme member representation in asset pools – Update
8. AOB
9. Date of next meeting

The venue will be the Victoria Room at 18 Smith Square, Westminster, London SW1P 3HZ (see

<https://www.google.co.uk/maps/place/Westminster,+London+SW1P+3HZ/@51.4955666,-0.1289997,17z/data=!3m1!4b1!4m5!3m4!1s0x487604c2f22fcf31:0x4d27e283349ac875!8m2!3d51.4955757!4d-0.1267826>)

Please report to reception who will direct you to the meeting room.

<p>This is the quarterly pack of Pension Fund performance information which is based on the period 1 July to 30 September 2019 and includes a comparison to the previous quarter - 1 April to 30 June 2019.</p> <p>The overall assessment for Quarter 2 is Green.</p> <p>A summary of performance for each area is shown below including a RAG status. There is also a detailed worksheet for each of the subjects which contains more detailed information.</p>	<b>Qtr 2 (Jul-Sep 2019)</b>
	<b>Summary position:</b>
	<b>This Quarter - 1 Jul to 30 Sep 2019</b>
	<b>RED</b>
	<b>Last Quarter - 1 Apr to 30 Jun 2019</b>
	<b>GREEN</b>

Subject	Comment	RAG Status
<b>Administration Casework</b>	<p>Overall administrators have completed 16,119 cases during the 3 month period to 30 September 2019, compared to 13,020 in quarter 1.</p> <p>The status is RED because the number of pieces of casework outstanding exceeds more than 10% of the membership.</p>	<b>RED</b>
<b>Breaches</b>	<p>There were 26 new breaches in quarter 2 (compared to 21 in quarter 1). The majority (20) of the breaches in quarter 2 were contribution related however, there were 3 new Administration related breaches, 1 disclosure related breach and 1 ABS breach. Administration breaches relate to the late notification to leavers of their rights and options. The disclosure breach relates to late disclosure of one amendment to the LGPS regulations and ABS breaches relate to data issues.</p> <p>During quarter 2, 13 breaches were recorded as Green, 5 were Amber and 1 Red breach was reported to the Regulator in relation to Annual Benefit Statements.</p> <p>The ABS breach was reported to the Regulator as a red breach in quarter 2.</p>	<b>RED</b>
<b>Compliance</b>	The Fund did not identify any material compliance issues in Quarter 2.	<b>GREEN</b>
<b>Contributions Monitoring</b>	The Fund has an internal KPI to receive 98% of contributions income on time. For each of the months between July and August 2019 the Fund received well above the 98% of income on time.	<b>GREEN</b>
<b>Financial Performance</b>	The Pension Fund is currently forecasting an underspend of £127k. The 2019/20 has been temporarily increased in order to account for the running costs of LGPS Central. The RAG status is green to reflect the fact that the fund is currently forecasting an underspend.	<b>GREEN</b>
<b>HR (absence)</b>	<p>The service lost 27.5 days through sickness during quarter 2 of 2019/20 which equates to an annual average of 0.1%. This compares to 102 days lost in quarter 1 which is an annual average of 4%.</p> <p>There were no sickness days lost in the 2nd quarter relating to work related stress.</p>	<b>GREEN</b>
<b>Debt Recovery</b>	<p>The Pension Fund has £66k of debt outstanding at the end of Quarter 2 of 2019/20, some of which relates to prior years (which typically relates to overpayments which are being repaid by installments).</p> <p>A large proportion of the Quarter 2 debt (£34k) is made up of debt which is 91-180 days old. This relates to debt owed in relation to an Early retirement strain recharge and the Fund has received confirmation from the relevant employers that the invoices will be paid in full.</p> <p>The RAG status is Red to reflect the fact that the value of debt outstanding which is over 30 days old is above 50%.</p>	<b>RED</b>
<b>Business Plan Progress</b>	There are 21 actions identified for quarter 2 of 2019/20. 14 have been met and 7 has been classed as amber denoting a minor delay in completion. The amber actions will be rolled forward into the next quarter.	<b>GREEN</b>
<b>Feedback from External Sources</b>	The Board receive feedback from various external sources on a variety of issues.	<b>GREEN</b>
<b>Investment Manager Qualitative and Quantitative Performance</b>	Fund investment returns remain ahead of the asset performance assumptions contained within the actuarial valuation over a rolling 3 year period. Returns are also ahead of the tailored benchmark return and CPI.	<b>GREEN</b>

## **THE PENSIONS REGULATOR'S CODE OF PRACTICE AND ENGAGEMENT FEEDBACK**

### **Introduction**

1. This report provides the board with an update on the fund's progress in attaining full compliance with the pension's regulators code of practice number 14.
2. The Board will also receive an update following the release of the TPR engagement report which followed a review that the Regulator undertook of 10 LGPS funds.

### **Code of Practice**

3. At the last meeting Board members were presented with a report which outlined the outstanding work required to attain full compliance with the code.
4. The report identified that in some areas of the code, the completion of one action would result in the resolution of multiple amber actions for the fund.

### **Update**

5. Following our last meeting a number of actions have now been completed, which reduce the overall number of outstanding amber actions.
6. The table below confirms the actions that have been completed and the impact they have on reducing the number of amber actions required to ensure full compliance.

Section / Topic	Amber	Change in compliance rating to Green	Remaining Amber Actions	Comment / Action taken
<b>A</b> Knowledge and Understanding	4	-	4	No change in compliance
<b>D</b> Internal Controls	6	6	-	Review and update of the internal control framework and ongoing work carried out in updating of the risk register
<b>E</b> Scheme Record Keeping	8	2	6	Review and update of the internal control framework Ongoing data cleansing as part of employer onboarding process to to Monthly interfacing.
<b>G</b> Providing Information to Members	3	-	3	No change in compliance.
<b>Total</b>	<b>21</b>	<b>8</b>	<b>13</b>	

7. As Board members will note the eight sections of the code previously categorised as amber have now been reclassified as green to reflect to the change in status to full compliance following the review of the internal control framework.
8. The actions taken following our last meeting have reduced the funds outstanding amber actions from 21 (15%) to 13 (9%) out of 141 requirements. This has raised the Funds overall compliance level to 92% (up from 85%).
9. A table summarising the full position on compliance with the CoP is shown below. Work will continue to ensure that the fund reaches full compliance with the CoP and the Board will be kept informed of progress

Section	Topic	Total	Red	Amber	Green	Comment
A	Knowledge and Understanding	15	-	4	12	<ul style="list-style-type: none"> <li>The updating of the Joint training policy following appointment of new committee members.</li> <li>Development of a an individual training record for each member of the board to document areas of training and identification of additional training requirements.</li> <li>Completion of the trustee toolkit by board members</li> </ul>
B	Conflicts of Interest	26	-	-	26	
C	Publishing Information about the Scheme	7	-	-	7	
D	Internal Controls	19	-	-	19	
E	Scheme Record Keeping	16	-	6	10	<ul style="list-style-type: none"> <li>introduction of a data retention policy and data management strategy</li> </ul>
F	Maintaining Contributions	6	-	-	6	
G	Providing Information to Members	15	-	3	13	<ul style="list-style-type: none"> <li>The introduction of Monthly Interfacing will directly impact upon The ability to send Annual Benefit Statements on time.</li> <li>Re-launch of The Cheshire Pension Fund Website improving ease of access to information for members.</li> <li>member tracing services are being explored where The Fund has lost contact with members</li> </ul>
H	Internal Dispute Resolution	16	-	-	16	
I	Breaches	21	-	-	21	
<b>Total</b>		<b>141</b>	<b>-</b>	<b>13</b>	<b>130</b>	
<b>%</b>			<b>0%</b>	<b>9%</b>	<b>92%</b>	

**Results of TPR Engagement Report**

10. The Pensions Regulator has published a report on the findings following engagement reviews it conducted with 10 local government funds. The aim of the report sought to understand scheme managers approaches in addressing a number of key risks against the code of practice 14 and to provide feedback on good practice and suggested improvements that could be made.
11. The Review was conducted by hosting a number of high level based meetings with scheme managers to understand the challenges faced by schemes. In addition the regulator also reviewed some fund documentation and examples of communications sent to members, prospective members and beneficiaries.
12. On publication of the report the Scheme Advisory Board issued the statement below:
- “The Pensions Regulator has today published its report into the governance and administration risks in public service pension schemes, including the 10 UK local government funds who were engaged with between October 2018 and July 2019. The report summarises the key findings against the Regulator’s Code of Practice 14 both in terms of exceeding and falling short of required standards and will be discussed in detail when SAB next meets on the 6<sup>th</sup> November 2019. In commenting on the report, Chair of the Board, Councillor Roger Phillips said “This key area of work ties in closely in with the Board’s own Good Governance project. In identifying examples of best practice as well as areas for further improvement the report will undoubtedly be of great assistance to LGPS funds in seeking to enhance their own governance and administration arrangements.”
13. The report outlined some high level findings and areas for improvement that Fund’s should focus on. The high level findings are outlined in the table below:

<b>Area</b>	<b>Findings</b>
Key person risk	Many funds have a lack of comprehensive documented policies and procedures. Evidence of an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.
Pension boards	Engagement levels varied, concerns about the frequency some pension boards meet and their appetite to build their knowledge and understanding. Evidence of some boards not wanting to review full documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.
Fraud / scams	We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.
Employers	We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

14. The report also includes feedback from a number of 'areas of focus' and includes case studies and recommendations for Funds to follow on each one. The areas of focus are listed below:

- Record keeping
- Internal controls
- Administrators
- Member communication
- Internal Dispute Resolution Procedure
- Pension Boards
- Employers and contributions
- Cyber security
- Internal fraud and false claims

15. Findings and recommendations, along with some case studies, are included for each area of focus within the report. In terms of recommendations suggested in the report, the Fund is largely complying with all of them already (where they apply). The Board has already identified cyber security as an area that they would like to explore in further detail and this is a key area for the Regulator.

16. The Board will note the comments in the report about protecting members from pension scams. The Board will receive a short presentation outlining the approach the Fund takes, and paperwork it provides, to its members to avoid pension scams and fraud.

17. The Board are requested to note the findings from the engagement report from the Pensions Regulator.

**Recommendation: The Board are requested to:**

- Note the improvement in the Fund's progress in complying with the Code of Practice.
- Note the recommendations identified from the Pensions Regulator's Engagement report.

## TPR - LGPS engagement report

1. On 19 September, the Pensions Regulator (TPR) published the findings from its engagement with ten local government pension funds. The engagement took place between October 2018 and July 2019.
2. The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards. The Scheme Advisory Board (England and Wales) will discuss the report in detail at their meeting on 6 November 2019.
3. A full copy of the TPR's report can be found on their website following the link below

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report>

### Executive summary

4. The TPR's key findings are set out in the executive summary and these are extracted below.
  - **Key person risk:** While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.
  - **Pension boards:** Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.
  - **Fraud / scams:** We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.
  - **Employers:** We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.
5. The report goes on to list a number of findings and recommendations along with illustrative case studies. The findings and recommendations are shown in the Annex to this report.

## Report Conclusion

6. In concluding their report, the regulator made the following overall comments:
- Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS.
  - It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.
  - There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.
  - Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.
  - Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.
  - A common risk is the unexpected departure of key members of the scheme manager's staff. Succession planning and clearly recorded processes help mitigate this risk.
  - Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund.
  - Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.
  - Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.
  - Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, this often leads to improved governance standards. We encourage such action.

Annex  
 Key findings and recommendations

**Area of focus: Record-keeping**

Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

Findings	Recommendations
<p>Many scheme managers have moved from annual to monthly member data collection and found this enabled them to verify data at an earlier stage, with some funds providing monthly reports to employers highlighting the quality of data submitted and action points they need to complete.</p> <p>Well-run funds are aware of the quality of the common and scheme specific data they hold. Where it is not entirely accurate robust and measurable, data improvement plans are in place. scheme managers of these funds consider a range of methods to improve data quality, including tracing exercises and improving contract management methods.</p> <p>They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund.</p>	<ul style="list-style-type: none"> <li>• Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate.</li> <li>• The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.</li> <li>• Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The Pension Board should review the PAS and ensure it will stand up to challenges from employers.</li> </ul>

**Area of focus: Internal controls**

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.

Findings	Recommendations
<p>There were a range of approaches to identifying, monitoring and mitigating risks to the funds we engaged with. Some funds had detailed risk management frameworks in place and clear defined procedural documents. Others lack detailed risk registers or do not review the risks to the fund on a frequent basis, with little oversight of work being done to identify or mitigate risks. We found evidence across a number of funds of key person risk, where a long serving member of staff has developed a high level of knowledge about their role and internal processes but this knowledge is not documented. This leaves these funds exposed to the risk of a sharp downturn in administration and governance standards should the key person unexpectedly leave their role. Funds with an engaged s.151 officer who has a good relationship with the scheme manager are more likely to have clear and robust internal controls.</p>	<ul style="list-style-type: none"> <li>• A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.</li> <li>• The scheme manager should take a holistic view to risks and understand how they are connected.</li> <li>• The pension board should have good oversight of the risks and review these at each pension board meeting.</li> <li>• Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels.</li> <li>• The scheme manager should ensure all processes are documented and reviewed on a regular basis.</li> <li>• Decision and action logs covering all decisions provide a useful reference point as decisions recorded in minutes can be hard to locate.</li> </ul>

**Area of focus: Administrators**

Good administration is the bedrock of a well-run fund. A scheme manager should work well with its administrator or administration team, and ensure the right people and processes are in place to ensure members' benefits are administered to a high standard.

Findings	Recommendations
<p>Better performing scheme managers have a close relationship with their administrator, whether they use a third party provider or an internal team. In these instances robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports from administrators to ensure they fully understand the work being done. Not all scheme managers have clear oversight of the work being done by administrators or question the information provided by them when it is appropriate to do so. This leads to the scheme manager not understanding how well the fund is performing and can act as a barrier between the scheme manager and both participating employers and members. There is a variety of methods used to appoint third party administrators, and scheme managers generally carefully consider the best approach for the individual circumstances of their fund.</p>	<ul style="list-style-type: none"> <li>• Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met.</li> <li>• Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator.</li> <li>• It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.</li> <li>• Scheme managers should hold regular meetings with their service providers to monitor performance.</li> </ul>

**Area of focus: Member communication**

The law requires scheme managers to disclose information about benefits and scheme administration to scheme members and others. This allows savers to understand their entitlements and make informed financial decisions.

Findings	Recommendations
<p>A number of scheme managers are currently reviewing the documents they send to savers. It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non-technical staff to check readability and whether it is comprehensive.</p> <p>Not all scheme managers fully appreciate the extent of their duties to provide information to savers, with some not knowing about the legal duty to inform active members where employee contributions are deducted but not paid to the fund within the legislative timeframe.</p>	<ul style="list-style-type: none"> <li>• Information sent to members should be clear, precise and free from jargon.</li> <li>• There should be senior oversight of communications sent to members and prospective members.</li> <li>• It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys.</li> </ul>

**Area of focus: Internal Dispute Resolution Procedure (IDRP)**

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law as set out in the Code to help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.

Findings	Recommendations
<p>Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive. They use this information to make changes to the way the fund is run in order to provide the best possible service to beneficiaries.</p> <p>Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published. This limits the ability of people with an interest in the funds to raise concerns and restricts a useful source of information for scheme managers.</p> <p>Not all scheme managers have a clear definition of a complaint. It is important for scheme managers to act in a consistent manner and if what a complaint looks like is not known this will affect its ability to put things right.</p>	<ul style="list-style-type: none"> <li>• There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff.</li> <li>• People entitled to use the IDRP should be given clear information about how it operates.</li> <li>• This information should be easily available, eg on the fund website.</li> <li>• The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house.</li> <li>• Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund.</li> </ul>

**Area of focus: pension boards**

The role of the pension board is to assist the scheme manager with the operation of the scheme. Pension board members are required to have an appropriate level of knowledge and understanding in order to carry out their function.

Findings	Recommendations
<p>Scheme managers have a variety of methods for appointing pension board members and the structure of these boards also varies between funds. In some cases board member rotation is staggered to help preserve knowledge levels. Additionally, some boards have independent chairs, depending on the needs of the individual pension board. We also found a mix of engagement levels amongst pension board members. Some scheme managers are able to call on strong, committed pension boards to assist them with the operation of the fund. Other scheme managers face challenges around pension board members who routinely fail to attend meetings or complete the training they need to meet the required level of knowledge and understanding.</p> <p>The relationships between pension boards and scheme managers varied - where the pension board had a strong relationship with the scheme manager, including a willingness to challenge, we found better-run funds.</p>	<ul style="list-style-type: none"> <li>• The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance.</li> <li>• Individual pension board member training and training needs should be assessed and clearly recorded.</li> <li>• The pension board should meet an appropriate number of times a year, at least quarterly.</li> <li>• Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager.</li> <li>• Scheme managers should be aware of the risk of pension board member turnover and ongoing training needs.</li> <li>• Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration of the fund.</li> <li>• The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency.</li> <li>• Pension board members should be fully engaged and challenge parties where appropriate.</li> </ul>

**Area of focus: Employers and contributions**

Contributions must be paid to the scheme in accordance with scheme regulations. Scheme managers are also reliant on employers to provide accurate and timely member data, which is required for the effective administration of the scheme.

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Findings	Recommendations
<p>Scheme managers monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and delaying sending a breakdown of the amount paid. Some scheme managers have been working with participating employers to encourage them to provide training to payroll providers where the payroll company won't engage with a body it doesn't have a direct contractual relationship with. Changing a payroll provider can cause issues. Early engagement with the employer and provider is helpful to mitigate later problems.</p> <p>Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk. Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions. Some scheme managers rely on guarantees, particularly in relation to participating employers providing outsourced services. Others expect the majority of employers to set up a bond. Only a few scheme managers accepted a wide range of security types, generally those with larger funds.</p> <p>Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances.</p>	<ul style="list-style-type: none"> <li>• Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus.</li> <li>• Employer solvency should be considered on an ongoing basis and not just at the time of each valuation.</li> <li>• Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier.</li> <li>• Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations.</li> <li>• Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees.</li> <li>• Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security.</li> <li>• Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be taken to secure fund assets.</li> <li>• Where security is in place, Scheme Managers should have a policy on when the security should be triggered.</li> </ul>

**Area of focus: Cyber security**

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. scheme managers need to take steps to protect their members and assets accordingly.

Findings	Recommendations
<p>Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good understanding of the IT systems in place, even where these are implemented by the Local Authority. Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register before our engagement with the scheme manager. Scheme managers that are aware of the risks associated with cyber crime generally have robust procedures in place to test the effectiveness of both cyber security and resilience methods.</p>	<ul style="list-style-type: none"> <li>• Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register.</li> <li>• Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks.</li> <li>• Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the procedure and ensure the fund's requirements are met.</li> <li>• Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data.</li> </ul>

**Area of focus: Internal fraud and false claims**

Schemes without strong internal controls are at greater risk. This includes having a clear separation of responsibilities and procedures which prevent a single member of staff from having unfettered access to scheme assets. Strong internal controls, particularly over financial transactions, also help mitigate the risk of assets being misappropriated.

Findings	Recommendations
<p>Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source. We found scheme managers are generally aware of publicised fraudulent activity that have affected other pension schemes and have taken steps to review their own procedures.</p> <p>Scheme managers of well run funds typically take steps to regularly screen member existence. Their scheme managers are also aware that not all incorrectly claimed pension benefits are the result of an attempt to defraud the fund and can identify when to treat a situation with sensitivity.</p> <p>Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds, where this had been made public. They had taken steps to reduce their own vulnerability to similar issues.</p>	<ul style="list-style-type: none"> <li>• Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud.</li> <li>• A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment.</li> <li>• A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver.</li> <li>• Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence.</li> <li>• When paper records are being used they should be held securely to prevent the risk of loss or misappropriation.</li> </ul>

## DATA QUALITY

### Introduction

1. This report provides the Board with the quarterly update on the TPR data quality scores and provides an update on the approach being taken by the Fund in measuring Scheme Specific Data.

### Data Quality

2. As Board members will recall, the Fund produces data scores, based on the Pensions Regulator's criteria of common and scheme specific data. These scores are produced and presented to the Board on a quarterly basis.
3. The table below summarises the data scores between September 2018 and September 2019.

	01-Sep-18	01-Dec-18	01-Mar-19	01-Jun-19	01-Sep-19
Common Data	98.1%	97.87%	97.72%	97.74%	98.07%
Scheme Specific Data (SSD)	68.8%	68.76%	76.48%	76.58%	74.18%

4. As the Board can see, the common data scores between the two years are fairly consistent at around 98.1%.
5. The majority of the common data queries relate to members for whom the Fund no longer holds a current address, typically this relates to deferred members. There are around 2,200 such members and the Fund is in the process of appointing a tracing company to help us to re-establish contact with these members.
6. The Board will be kept informed of progress with this task.
7. With regards to Scheme Specific Data, Board members will recall that in the absence of any clear national guidance to confirm what is actually meant by the term Scheme Specific Data, the Fund introduced its own method of recording what it has termed 'foundation data'. That is, the basic data (earnings and contributions) that is required in order to calculate a pension.
8. At the last meeting the Board were informed that the Scheme Advisory Board (SAB) had implemented a working party to develop a common data standard for Scheme Specific Data. This standard data set has been shared with Funds and with administration database providers who are now developing reports which will allow Funds to report scheme specific scores on a consistent basis.
9. Whilst this new approach is welcomed there are some important issues to consider:
  - The new approach will be different to the way the Fund measured scheme specific scores which were reported in the Pensions Regulators Scheme Return last year, therefore a meaningful year on year comparison would be difficult to achieve.

- It is possible that when the new measurements, which are made up on 22 separate data fields, are introduced the Fund's overall score may actually decrease.
  - The Fund is required to submit the 2019 Pensions Regulators Scheme Return, which includes the data scores, by the 19 November. However, the new report from the Funds database provider will not be available before the 14 or 15 November so it is likely that the Fund will again be issuing scores based on the original Foundation approach for 2019.
  - The new approach can nevertheless be adopted immediately and the Fund can commence working on any areas where the scores are not 100%.
10. The Board are already aware of the numerous activities the Fund has undertaken in the past twelve months to improve data quality, along with the phased introduction of Monthly Interfacing which will further assist. The marked, year to year, improvement that the Fund has been able to make in increasing the number of active members who received their ABS on time is evidence of this work.
11. The Board will receive regular updates on the TPR data scores along with progress on on improving data quality for the Fund.

**Recommendation: *The Board are requested to:***

- Note the Fund's data scores for September 2019.
- Note the SAB's approach to developing a standard data set for Scheme Specific data.

## COMPLIANCE UPDATE

### Introduction

1. This paper provides the Board with a cumulative summary of the Breaches Log for the period 1 April 2015 to 31 July 2019.
2. The Board will also receive an update on a RED breach relating to the Annual Benefit Statements which has been reported to the Pensions Regulator.

### Breaches Log

3. In accordance with the Breaches Policy, both the Board and the Pension Fund Committee review the entire Log on a quarterly basis, in order to identify any trends that may require further action.
4. A summary of the breaches included on the log between 1 April 2015 and 31 July 2019 is shown in Table 1 below. The table includes the 12 month periods for 2015/16, 2016/17, 2017/18, 2018/19 and the 4 month period to 31 July 2019. The table also includes the details of the number of breaches which have been categorised between Red, Amber or Green in each of the four years.
5. Red breaches are those which require reporting to the Pensions Regulator. Amber breaches are where the Fund has highlighted an issue with the Employer which requires further monitoring. Green breaches are those where following investigation, no further action is deemed necessary.

**Table 1 – Summary of the Breaches Log**

	2015/16	2016/17	2017/18	2018/19	2019/20	Total	Status		
							Red	Amber	Green
Contributions	43	40	60	64	25	<b>232</b>	1	36	195
Year-End Returns	5	1	0	0	0	<b>6</b>	0	1	4
Overpayments	4	1	0	0	0	<b>5</b>	0	0	4
ABS	1	1	0	1	0	<b>3</b>	0	0	3
Disclosure	0	0	0	0	1	<b>1</b>	0	0	1
Administration	1	1	26	20	4	<b>52</b>	0	0	54
<b>Sub-totals</b>	<b>54</b>	<b>44</b>	<b>86</b>	<b>85</b>	<b>30</b>	<b>299</b>	<b>1</b>	<b>37</b>	<b>261</b>

6. As can be seen from Table 1, the majority of breaches on the log relate to late payment of contributions. The majority of these cases relate to Employers who have joined the Fund in year and are in the process of setting up their payment systems, and/or Employers who have small numbers of staff and so are easily affected by unexpected staff absences. These are not considered to be a major risk.
7. Aside from contributions, the Fund has also identified 4 breaches relating to administration casework during the year. These breaches relate to historic cases caught up in the Fund's backlogs which can only be identified once the case is completed. The breaches relate to cases where a member was not notified of their options within the requisite 2 months of the relevant trigger, as set out in regulations. Fund processes were changed in 2016 to ensure that the Fund complies with Regulations.

### **Amber Breaches**

8. All Amber breaches identified above relate to late payment of contributions.
9. Four out of the eleven Amber breaches, identified in Table 1, relate to the same Employer. In the third quarter of 2017/18 the Fund reported a Red breach for this Employer (who is a contractor body) to the Pensions Regulator as they had failed to pay contributions since April 2017 and had not implemented an indemnity bond.
10. Members of the Board will recall that this Employer has one part time Employee and so the monetary value of the contributions due to the Fund is relatively small.
11. The Fund is raising regular invoices to this employer for the outstanding contribution payments, interest and penalties for late payment in accordance with the Fund's contribution policy. A total of £2.8k is due to the Fund from the employer in relation to contributions, penalties and interest which have accumulated from July 2018 to July 2019. Of this outstanding balance, invoices totalling £1.6k have now been passed to a debt collection agency for recovery.
12. Three amber breaches in the 2019/20 relate to another Employer (who is also a contractor body) who had been experiencing difficulties in meeting contribution payments to the Fund. This employer has now agreed a payment plan with the Fund for outstanding contributions. The Fund will continue to monitor and liaise with the employer.
13. The remaining 4 amber breaches in the 4 month period relate to an employer who has not paid pension contributions to the Fund for the period March 2018 to July 2019.
14. The employer has not signed the Admission Agreement so no formal contract is in place however the employer did make a payment to the Fund in April 2018 for outstanding pension contributions to February 2018. Legal advice is that by making this payment the employer has acknowledged their responsibility to contribute to the Fund.
15. The Council's legal team have written to the employer regarding this matter to remind them of their responsibilities. If the employer continues to fail to make contributions to the Fund it will be reported as a red breach to the Pensions Regulator.

**Disclosure Breach**

16. The disclosure breach is a technical breach due to a 'late' communication of amendments to the regulations that were issued on 10 January 2019. Funds are required to communicate material changes to its entire membership within 3 months (i.e. by 10 April 2019) and on this specific amendment the Fund did not technically meet the deadline.
17. Two amendments were introduced in January that affected only a handful of the Fund's members.
18. The first amendment removed unintended consequences from a previous amendment to the regulations. Firstly that deferred members of the 1995 scheme who left active membership of the LGPS prior to 1 April 1998 and who were aged between 55 and 60 lost the option to elect for early payment of benefits.
19. And secondly, that a group of deferred members of the 1995 scheme were only allowed to draw their pension early at aged 55. But unintentionally, as a single, one-off point when this could be exercised i.e. only at age 55, not at any age between 55 and 60.
20. The amendment also equalised survivor benefits payable to same sex married and civil partners with those paid to widows of a male member. These changes were implemented in the LGPS as though they had applied from the date civil partnerships and same-sex marriages were respectively first implemented into the LGPS.
21. Due to the low number of members impacted by these amendments (less than thirty across the 1995 scheme amendments), Officers concluded that it did not merit a specific communication to all members and communicated directly with all the affected members.
22. Four members have been impacted retrospectively by the change in survivor benefits and they will be contacted directly by the Fund and, where they have been financially impacted, their benefit payments will be recalculated and corrected.
23. The change to survivor benefits was subsequently communicated to deferred and active members in the newsletter that accompanied their annual benefits statements. These were delivered in June and August respectively. As both of these dates were after 10 April 2019 technically the Fund has breached the disclosure requirements. The change will automatically be taken into account in survivor benefits paid to civil partners and same sex spouses in the future. The amendment should not impact the decision making of current members and only affects civil partners/same sex spouses.

## Annual Benefit Statement (ABS) Breach

24. The enclosed breaches log covers the period to July 2019. However, included on the log in August will be a breach relating to the Annual Benefit Statements (ABS). In accordance with LGPS Regulations the Fund is required to send an ABS to all active and deferred members by the 31 August each year. Due to a combination of data issues on the member's records that the Fund was not able to resolve in time, plus a high number of lost contact addresses, particularly of deferred members, the Fund was not able to send 100% of ABS's on time.

### Active Members

25. The table below summarises the number of members who were eligible to receive an ABS and those that received it on time. As the Board will note, the Fund was able to send c85% of active ABS on time.

	2019	%	2018	%
Active Members Eligible to receive an ABS	32,677		31,402	
Members who received an ABS on time	(27,633)	85	(24,136)	77
Members who did not received an ABS on time	5,044		7,266	

26. As at 31 March 2019 the Fund had 32,677 active members who were eligible to receive an ABS by 31 August 2019. Out of that number 27,633 or 85% (compared to c77% in 2018) received their ABS on time.

27. Therefore 5,044 active members did not receive their ABS by the deadline. There are 158 members whom the Fund cannot write to due to missing addresses. That leaves 4,886 members have other issues with their record which need to be resolved.

28. The reasons why the 4,886 members have not received their ABS include:

- The data provided to the Fund via our annual 'per member' data collection process or other documentation is inconsistent or contains errors.
- Missing information that we will need to work with our employers to obtain.

29. In addition to the 32,677 members outlined above there are a further 3,794 members whom the Fund believes has left employment, as contributions have ceased. These members have not been included within the calculations above.

30. The members who have not received an ABS, but we believe should have, have received a letter explaining the position and informing them that the Fund is working to resolve any outstanding queries so that they can receive an ABS by November 2019.

31. A further letter has also been sent to the members who appear to have stopped contributing to the Fund altogether. Again we are liaising with employers in order to obtain the required leaving details.

32. The Fund has also informed employers in the Fund about the position on the ABS and requested that they treat any requests for information over the coming weeks as urgent.

Deferred Members

33. The table below summarises the number of deferred members who were eligible to receive an ABS and those that received it on time. As the Board will note, the Fund was able to send c89% of deferred ABS on time.

	<b>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>
Deferred Members Eligible to receive an ABS	26,917		26,699	
Members who received an ABS on time	(23,948)	89	(23,656)	89
Members who did not received an ABS on time	2,969		3,043	

34. As at 31 March 2019 the Fund had 26,917 deferred members who were eligible to receive an ABS by 31 August 2019. Out of that number 23,948 or 88.97% (compared to 88.60% in 2018) received their ABS on time.
35. Therefore 2,969 members have not received their ABS by the deadline and have issues with their record which needs to be resolved before an ABS can be issued.
36. Many of these members (2,932) are those where the fund no longer holds a current address and a tracing company would need to be used to see if the correct address can be located. Current practice is that the Fund does not trace a deferred member until they are due to retire.
37. There is a cost involved in tracing a member and the Fund may not be kept informed of further changes of addresses throughout the deferred member's lifetime and so may need to trace them multiple times. The Fund is seeking guidance from the Pensions Regulator on its responsibilities to tracing deferred members.
38. In addition to the 26,917 members outlined above there are a further 2,002 members whom the Fund believes has left employment, as contributions have an existing process in progress (e.g. a concurrency, leaver, deferred or death), and so would not be eligible for an ABS.
39. In previous years the Fund has logged the ABS issue on the Breaches Log but has not reported itself to the Regulator as the majority of members had received a statement and so it was not deemed to be a material breach. However, the Regulator has made it clear (at a number of conferences and seminars during the past year) that where 100% of the ABS' have not been issued on time Fund's must report themselves and outline the improvement plan to issue any outstanding ABS's in a reasonable timeframe.
40. Therefore the Fund has reported itself to the Pensions Regulator for failing to achieve sending 100% of active and deferred Annual Benefit Statements by 31 August. An improvement plan has been produced, including details of the actions the Fund will take and by when, in order to send ABS' to the remaining members.

41. The improvement plan outlines the intention to send all remaining active ABS' by November 2019. The timeframe for the deferred ABS' is less certain as it will be dependent upon the success of being able to trace the members current address.
42. Following the Fund's usual process, the ABS breach report was approved by the Local Pension Board and also the Director of Governance before being issued to the Regulator.
43. The Fund has undertaken a series of actions throughout the past 12-18 months in order to improve the quality of data held. This has resulted in an improvement in the number of ABS's that the Fund has been able to issue by the 31 August deadline compared to 2018.
44. The Fund is also phasing in the introduction of monthly reporting in 2019, and so will receive monthly 'per member' information from employers rather than annually. This will allow the Fund to identify and resolve and data issues throughout the year and ultimately will result in an increase in the number of active ABS' which can be issued on time.
45. The Board are requested to note and comment on the summary of the Breaches Log.

### **Recommendation**

#### **The Board are requested to:**

- **Note and comment on the cumulative summary of the Breaches Log for 1 April 2015 to 31 July 2019.**
- **Note the position on the ABS which will be reported to the Pensions Regulator as a RED breach.**

Local Pension Board - Workplan

Local Pensions Board  
16 July 2019  
Item 10

Standard Meetings			
February	May	July	October
<p>Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes</p> <p>Review Scheme Advisory Board and Sub Committee meetings</p> <p>Review the Performance Management Framework</p> <p>Review the Fund Complainece /Breaches Log</p>	<p>Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes</p> <p>Review Scheme Advisory Board and Sub Committee meetings</p> <p>Review the Performance Management Framework</p> <p>Review the Breaches Log</p>	<p>Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes</p> <p>Review Scheme Advisory Board and Sub Committee meetings</p> <p>Review the Performance Management Framework</p> <p>Review the Breaches Log</p>	<p>Review of Pension Fund Committee, Investment Sub Committee and Pensions Consultative Forum Minutes</p> <p>Review Scheme Advisory Board and Sub Committee meetings</p> <p>Review the Performance Management Framework</p> <p>Review the Breaches Log</p>
<p>Draft Annual Report</p> <p>Review the TPR Data Scored and associated actions</p> <p>Review policies are kept up to date and produced in accordance with legislation and guidance</p> <p>Statutory Policies (FSS, ISS, Comms Policy, Admin Strategy Gov Policy and Breaches Policy)</p>	<p>Sign off Annual Report</p> <p>Review LPB Terms of Ref/ Conflicts of Interest Policy</p> <p>LPB Risk Register</p> <p>Review the progress made by the Fund including the detail of any ongoing actions</p>	<p>Review the TPR Data Scored and associated actions</p> <p>Review policies are kept up to date and produced in accordance with legislation and guidance</p> <p>Statutory Policies (FSS, ISS, Comms Policy, Admin Strategy Gov Policy and Breaches Policy)</p> <p>Review the process for IA in assessing internal controls of the fund and external audit process for reviewing the Accounts and Annual Report</p>	<p>LPB Risk Register</p> <p>Review the progress made by the Fund including the detail of any ongoing actions</p> <p>TPR CoP RI Policy or Cyber security? This is where they are up to and when you will see something</p>