

MEETING

LOCAL PENSION BOARD

DATE AND TIME

WEDNESDAY 14TH FEBRUARY, 2018

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ

TO: MEMBERS OF LOCAL PENSION BOARD (Quorum 3)

Chairman: Geoffrey Alderman

Vice Chairman: Vacancy

Stephen Ross
Hem Savla

Salar Rida
David Woodcock

Councillor Daniel Thomas

Substitute Members

Councillor Sury Khatri

Alice Leach

You are requested to attend the above meeting for which an agenda is attached.

Andrew Charlwood – Head of Governance

Governance Service contact: Paul Frost - 0208 359 2205

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	5 - 8
2.	Disclosable Pecuniary interests and Non Pecuniary interests	
3.	Absence of Members	
4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
6.	Members' Items (if any)	9 - 12
7.	Local Pension Board Performance Overview	13 - 74
8.	Review of Funding and Contribution Setting Processes	75 - 84
9.	Review of Pension Scheme Funding Risks	85 - 94
10.	Consultation on Governance Policy and Compliance Statement	95 - 110
11.	Any other item(s) the Chairman decides are urgent	

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Decisions of the Local Pension Board

29 November 2017

Members Present:-

AGENDA ITEM 1

Professor Geoffrey Alderman
Tom Evans
Stephen Ross

Councillor Daniel Thomas
Salar Rida

Also in attendance

Hem Savla

1. MINUTES OF LAST MEETING

Prior to the minutes being considered, Board Members requested that all Members of the Board be sent declarations of interest forms as requested at the previous meeting.

The minutes of the meeting that took place on 11 September were signed as an accurate record.

2. ABSENCE OF MEMBERS

None.

3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

None.

4. PUBLIC QUESTION AND COMMENTS (IF ANY)

None.

5. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

6. MEMBERS' ITEMS (IF ANY)

None.

7. PENSION ADMINISTRATION REPORT

The Head of Public Sector Pensions for Capita introduced the item. He outlined that Board had a role in ensuring the effective and efficient governance and administration of the Pension Fund. He outlined the information found within the appendices and requested that the Local Pensions Board consider the Recommendations. Board

Members were given the opportunity to ask questions. In addition to this the Board noted that a draft Communication Strategy is being worked on.

Having considered the report the Local Pension Board Resolved:

- That the Local Pension Board noted and considered the performance of Capita in relation to the provision of pension fund administration services as reported in Appendix A, including oversight of the Service Improvement Plan.
- That the Local Pension Board noted the feedback regarding the proposed Fund Administration Strategy,(Appendix B) and approved that Capita begin consultation with employers for 1 month to consider comments and feedback before agreeing to the final version.
- That the Local Pension Board noted appendix C and D of the report
- That the Board requested the following additional information
 - Information relating to Bereavements
 - Comparison of data from previous periods
 - Request for data in respect to annual benefit statements and associated enquiries that outline timetabling of administration tasks.

8. LOCAL PENSION BOARD UPDATE REPORT

The Governance Team Leader introduced the report.

Having considered the report the Local Pension Board:

Resolved:

- That the Local Pension Board noted and approved its amended Terms of Reference as highlighted within Appendix A
- That the Local Pension Board noted it's proposed budget for 2017/18 as document in 1.18 – 1.20 and requested that it be reviewed.
- That the Local Pension Board noted the annual work plan attached at Appendix B and agreed that it be referred to the next meeting of the Pension Fund Committee for information.
- The Local Pension Board noted that appointments be made to the two new Local Pension Board Member positions for agreement by Full Council. The Local Pension Board also expressed the view that ideally its membership should reflect a greater degree of social, gender and ethnic diversity.

9. DECISIONS MADE BY THE PENSIONS FUND COMMITTEE

The Head of Treasury & Pensions introduced the report and outlined that the paper captured recent decisions by the Pension Committee. He therefore summarised the rationale, the processes followed and the link with policy documents and regulations.

The Chairman noted that he had met with the Chairman of the Pensions Fund Committee, he added that both Chairman have committed to meeting regularly to discuss the action of both bodies.

Having considered the report the Local Pension Board:

Resolved:

That the Local Pension Board considered and noted the appropriateness of the procedures applied by the Pension Committee when reaching decisions at recent meetings.

10. INTERACTION WITH PENSION REGULATOR

The Head of Treasury & Pensions introduced the report. He stated the importance of Board Members completing the Pensions Board Regulator online training Toolkit.

The Chairman announced that a training day had been arranged for Wednesday 10 January 2018.

Having considered the report the Local Pension Board Resolved:

- That the submission of the annual return was noted
- That the TPR's request for information in connection with the training of Board Members was noted
- That the individual training self-assessments and training plans be agreed
- That it be noted that all Board Members be required to complete the TPR training toolkit. The Chairman requested that Board Members complete this before the next meeting.

11. EXTERNAL AUDITOR'S REPORT

The Head of Treasury & Pensions introduced the report.

The Local Pensions Board noted the following comments

- That the Board was concerned that LBB's data set was among the poorest in the LGPS
- That late payments to the scheme presented a risk to the Fund.
- That losses to the Fund following any late payments need to be recovered

Following the consideration of the report the Local Pension Board Resolved:

- That the matters raised by the external auditor's report in respect of the audit of the 2016/17 Accounts and Annual Report and the actions taken by management in response to the findings was noted.
- That the Board noted with concern that there were 15 late payments listed. The Board noted that this risk should be reviewed. The Local Pensions Board requested that Board Members be updated in respect to this. Furthermore the Local Pensions Board requested that the Pension Fund Committee be notified of the concerns of the external auditors report and the concerns of the Local Pensions Board Members.

12. REVIEW OF PENSION SCHEME INVESTMENT RISKS

The Head of Treasury & Pensions introduced the report and outlined the section of the risk register relating to investments and discussed the procedures in place to manage these risks and the residual risk being carried by the Fund and employers.

Having considered the report the Local Pension Board:

- Noted the report
- That the Local Pension Board requested that the risk register be circulated to Members of the Board

13. ANY OTHER ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

Barnet Council Pension Fund – Compliance with investment regulations and guidance

The Chairman noted that this report had been published after the publication deadline. The Head of Treasury & Pensions introduced the report and outlined that the report was designed to demonstrate to the Board that the governance arrangements in connections with the setting and implementation of investment policy are satisfactory.

Andrew Elliot from Hymans Robertson was in attendance and outlined the Strategic approach and fund manager selection process.

The Chairman thanked Mr Eliot for this presentation of his report.

The Board noted that it was the responsibility of the Pension Fund Committee to make investment decisions and it was the Boards role was to consider the administration and its activity as captured in its terms of reference.

Having considered the report the Local Pensions Board resolved:

- That the report be noted

The meeting finished at 21:00

	AGENDA ITEM 6
	Local Pension Board
	14 February 2018
	Member's Item
Title	Mr Stephen Ross – Effective and Efficient Governance and Administration
Report of	Head of Governance
Wards	All
Status	Public
Enclosures	None
Officer Contact Details	Paul Frost, Governance Service Team Leader Email: Paul.Frost@Barnet.gov.uk Tel: 020 8359 2205

Summary
The report informs the Local Pension Board of Member's Item and requests instructions from the Committee.
Recommendations
<ol style="list-style-type: none"> 1. That the Local Pension Board instructions in relation to this Member's item are requested.

1. WHY THIS REPORT IS NEEDED

- 1.1 A Member of the Local Pension Board has requested that the item tabled below be submitted to the Local Pension Board for considering and determination. The Local Pension Board are requested to provide instructions to Officers of the Council as recommended.

Name of Board Member	Member's Item
Stephen Ross	<p>Though I am expecting LBB to have developed a contingency plan to deal with any potential problems arising from any failure of Capita outsourced services generally, as Independent Member of the Pensions Board I have some specific concerns I would like addressed please.</p> <p>Pursuant to the relevant sections of 'the Public Services Pension Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013' to:</p> <ul style="list-style-type: none">• ensure the effective and efficient governance and administration of the LGPS for the LBB Pension Fund. [and]• ensure the Pension Fund's internal Risk Register is in place and reviewed at least annually. <p>Consequently, to protect the interests of pensioners/beneficiaries, I request that a report be submitted to the Local Pension Board that supplies sufficient information to explain how the situation is being monitored and, what the contingency plan is, as a matter of urgency.</p> <p>Furthermore, in recognition of the significantly increased risk, Capita's pension services should be appropriately rated on the Risk Register and dealt with accordingly. The reputational risk from using Capita in the perception of the beneficiaries should also be taken into account and appropriately addressed, e.g. an effective communications strategy to be implemented in this respect as soon as possible explaining how it is being dealt with.</p> <p>Can the Local Pensions Board be kept regularly advised of this situation for the time being?</p>

2. REASONS FOR RECOMMENDATIONS

- 2.1 No recommendations have been made. The Local Pension Board are therefore requested to give consideration and provide instruction.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

- 4.1 Post decision implementation will depend on the resolution taken by the Board

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 As and when issues raised through a Member's Item are progressed, they will need to be evaluated against the Corporate Plan and other relevant policies.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 None in the context of this report.

5.3 Legal and Constitutional References

- 5.3.1 The Council's Constitution states that a Member, including appointed substitute Members of a Committee may have one item only on an agenda that he/she serves. Members' items must be within the term of reference of the body which will consider the item.

5.4 Risk Management

- 5.4.1 None in the context of this report.

5.5 Equalities and Diversity

- 5.5.1 Members' Items allow Members to bring a wide range of issues to the attention the relevant body in accordance with the Council's Constitution. All of these issues must be considered for their equalities and diversity implications.

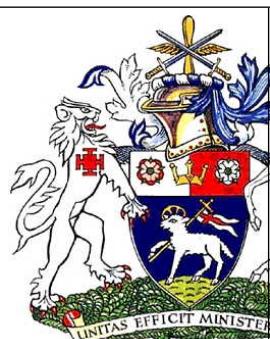
5.6 Consultation and Engagement

- 5.6.1 None in the context of this report.

6. BACKGROUND PAPERS

- 6.1 None.

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AGENDA ITEM 7

Local Pension Board

14 February 2018

Title	Local Pension Board Performance Overview
Report of	Assistant Chief Executive
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – The CEB performance report for the period November – December 2017 is attached at Appendix B – Audit Report Appendix C – Service Improvement Plan Appendix D – Pensions Administration Risk Register
Officer Contact Details	Natasha Edmunds Strategic HR Lead Natasha.edmunds@barnet.gov.uk

Summary

This report provides an overview of the performance of Capita in administering the London Borough of Barnet Superannuation Scheme and invites the board to scrutinise particular aspects of performance. The report makes a number of recommendations including the recruitment of dedicated council resources to oversee and work with Capita on improvements to the service and secure compliance with the pensions regulations.

Officers Recommendations
1. That the Local Pension Board note the concerns – reiterated through the recent Internal Audit report - on the performance of Capita in relation to the administration of the fund and provide any comments as necessary
2. That the Local Pension Board note the submission of Capita's performance for the period November – December 2017 as illustrated at Appendix A
3. The Local Pension Board are requested to note the progress made against the Service Improvement Plan
4. It is recommended that the Local Pension Board asks to receive a detailed project plan from Capita in relation to the process that leads to the issuing of benefit statements, to satisfy itself that sufficient resources and planning are in place to ensure the mistakes of 2016 are avoided
5. The Local Pension Board are requested to note the risks identified on the Pensions Administration Risk Register

1. WHY THIS REPORT IS NEEDED

- 1.1 Administration of the London Borough of Barnet Pension Fund is undertaken by Capita Employee Benefits (CEB). The Local Pension Board has a role in ensuring the effective and efficient governance and administration of the Pension Fund. This report is a covering report by Officers providing an overview of the performance of CEB in undertaking pensions administration for the London Borough of Barnet Superannuation Scheme on behalf of the Scheme Manager.
- 1.2 Concerns with the performance of CEB in delivering an effective and efficient administration service have been identified by the recent internal audit, by The Pensions Regulator and by Council Officers. Council Officers are therefore seeking the assistance of the Local Pension Board in securing compliance of CEB with the regulatory framework and improved performance of the service.
- 1.3 The CEB performance report for the period November – December 2017 is attached at Appendix A

2. REASONS FOR RECOMMENDATIONS

- 2.1 Board members will note that the Performance Breakdown for the period November – December 2017 (Appendix A) is reported by CEB as showing an improvement against the SLA target, reporting 96.29% compliance against an SLA target of 95%. However, when scrutinising the performance for each month in the period officers have identified a deterioration in service between November and December against key case groups as shown in the table below:

2.2 Table 1

Case Group	Nov SLA %	Dec SLA %	Direction of Travel
Change of details	100%	100%	→
Enquiries	96.10%	99.45%	↑
Request for Benefits	93.22%	88.64%	↓
Leavers	85.71%	80.43%	↓
New Starters	94.44%	89.74%	↓
Retirements	75.00%	73.91%	↓
Transfers In	-	100%	→
Transfers Out	100%	100%	→
Bereavements	100%	83.33%	↓
Other	98.72%	97.48%	↓

- 2.3 As can be seen in Table 1 above, performance has deteriorated – in some cases considerably – in six out of ten case groups during the reporting period. Whilst officers have challenged the performance of CEB, the Board are invited to further challenge CEB on the performance of the service.
- 2.4 The reason stated by CEB for the deterioration in performance outlined above is delays in receiving accurate salary and other information from employers and payroll providers. Officers were advised in November 2017 that CEB were planning an Employer Forum during February 2018 to further engage with employers and ensure they are fully cognisant of their responsibilities for provision of data. Despite ongoing challenge and work to develop a communication strategy and plan, improvements are still required. It is of particular importance that employers are reminded of the data and timeliness requirements during the current quarter as year end (i.e. 31 March) data returns are required for the preparation and issuing of annual benefits statement by 31 August 2018. The longer it takes to receive good quality data the greater the impact on timely issuing of annual benefits statements.
- 2.5 As part of the Service Improvement Plan (SIP) a detailed communication and engagement plan is being developed by CEB in conjunction with Council Officers to ensure appropriate and relevant engagement with all pension scheme stakeholders (i.e. active, deferred and retired members, employers, admitted bodies, the Pensions Regulator). The Local Pension Board itself has representation from all stakeholder groups however it is recognised that further consultation and engagement is required. The Local Pension Board is asked to highlight to CEB the importance of pro-active communication and engagement with stakeholders as a key driver for improved compliance with regulatory requirements.

- 2.6 Council Officers have, in addition, requested a monthly employer compliance report to aid in identifying any trends or themes emerging that could constitute breaches of law.
- 2.7 Board Members will be aware that enforcement action was taken by the Pensions Regulator against the Scheme due to late issuing of annual benefits statements during 2016. Board Members are therefore invited to further challenge CEB on their plans to engage with employers in a timely way in order to ensure that good quality and accurate data is received and that sufficient time is allowed for the preparation of annual benefits statements in 2018. It is recommended that the Board asks to receive a detailed project plan from CEB in relation to the process that leads to the issuing of benefit statements and other annual returns, to satisfy itself that sufficient resources and planning are in place to ensure the mistakes of 2016 are avoided.
- 2.8 Board Members will also note that there are a number of outstanding cases which are between 3 and 24 months old. CEB have commenced a review of all outstanding cases however further discussion is required between CEB and officers to agree the actions to be taken to resolve and close cases.
- 2.9 The Service Improvement Plan (SIP) currently in place is primarily focused on addressing the quality of data held for all members of the Scheme. A plan has been agreed with CEB to conduct a data cleansing exercise and this is now underway. Board members will be aware that the quality of Scheme member data is a primary driver for the effective delivery of pensions administration and a significant factor in failure demand (i.e. demand placed on the service arising from data quality failures). CEB have agreed to cover the cost of data rectification for the period from 2013 to date (i.e. from commencement of the contract with CEB), however there remains a significant amount of legacy data (i.e. prior to commencement of the contract with CEB) for which there is a cost.
- 2.10 The Board is asked to note the progress being made against the service improvement plan attached at Appendix C.
- 2.11 Council Officers have commissioned an audit of the pensions administration service. The Audit Report is attached at Appendix 2 and gives limited assurance. The findings were discussed at Audit Committee on 31 January. Although a number of the recommendations are already included in the SIP, additional risks and issues were identified. These relate to firstly, the reported compliance level for annual benefits statements for 2017 (reported by CEB as 96%), yet the audit sample testing suggested compliance was more likely to be in the region of 80%; and secondly management information reporting by CEB to the scheme manager on breaches of law.

- 2.12 Members of the Board are asked to challenge the reported annual benefits statement compliance of 96% and request further investigation by CEB of the compliance level, following the audit finding, and to report back to the next board meeting.
- 2.13 In relation to breaches of law, Officers have requested further and more detailed information from CEB on breaches that have been recorded on a breaches log; this is also a recommendation made by the recent audit into pension administration. It is critical that the Scheme Manager has sight of breaches of law data in order to assess materiality and ensure appropriate action is taken, including reporting breaches to the Regulator where necessary. It should be noted that breaches data should include not just the current reporting period but also past data (particularly in relation to queries that have been outstanding for up to 24 months) and information on breaches has not been provided to the Scheme Manager or the Local Pension Board since the inception of the contract with CEB. The Board are asked to reinforce to CEB the importance of receiving breaches data so that the Scheme Manager, The Local Pensions Board and the Pension Fund Committee can discharge its responsibilities in full.
- 2.14 The current performance levels of the pension administration service are below the expectations of the Scheme Manager and of the Pensions Regulator. Specific risks have been identified and recorded in relation to data quality and data on breaches of law. The Board are requested to note the risks and mitigating actions in the risk register at Appendix D.
- 2.15 The Scheme Manager remains under scrutiny by the Pensions Regulator and this is likely to continue until the Regulator is satisfied that the London Borough of Barnet Scheme is operating effectively, efficiently and in full compliance with the Pensions Regulations, Code of Practice and legislative framework governing public service pension schemes.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Local Pension Board have, to date, regularly received performance data for consideration. London Borough of Barnet Officers do not think that it is appropriate, in the current circumstances that the Board receives the normal submission, presented by CEB, and therefore that approach is not recommended at this time.

4. POST DECISION IMPLEMENTATION

- 4.1 If the Local Pensions Board are minded to agree the recommendations London Borough of Barnet Officers will present a report and the resolutions of this report to the Pension Fund Committee at its next meeting.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan 2015-2020 by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

There is a cost associated with the cleansing of pension scheme member data prior to 2013 of £38,000. It is critical to regulatory compliance that the data rectification work is carried out on all pensions scheme member data. Funding for this activity is being sought from the Pension Fund.

5.3 Social Value

- 5.4 None

5.5 Legal and Constitutional References

- 5.5.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme Regulations (Amendment) (Governance) Regulations 2015 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

5.6 Risk Management

- 5.6.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer

income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

5.7 Equalities and Diversity

- 5.7.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

5.8 Consultation and Engagement

- 5.8.1 Where relevant, consultation and engagement is discussed in the paper.

6. BACKGROUND PAPERS

- 6.1 The Pension Regulators Code of Practice

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

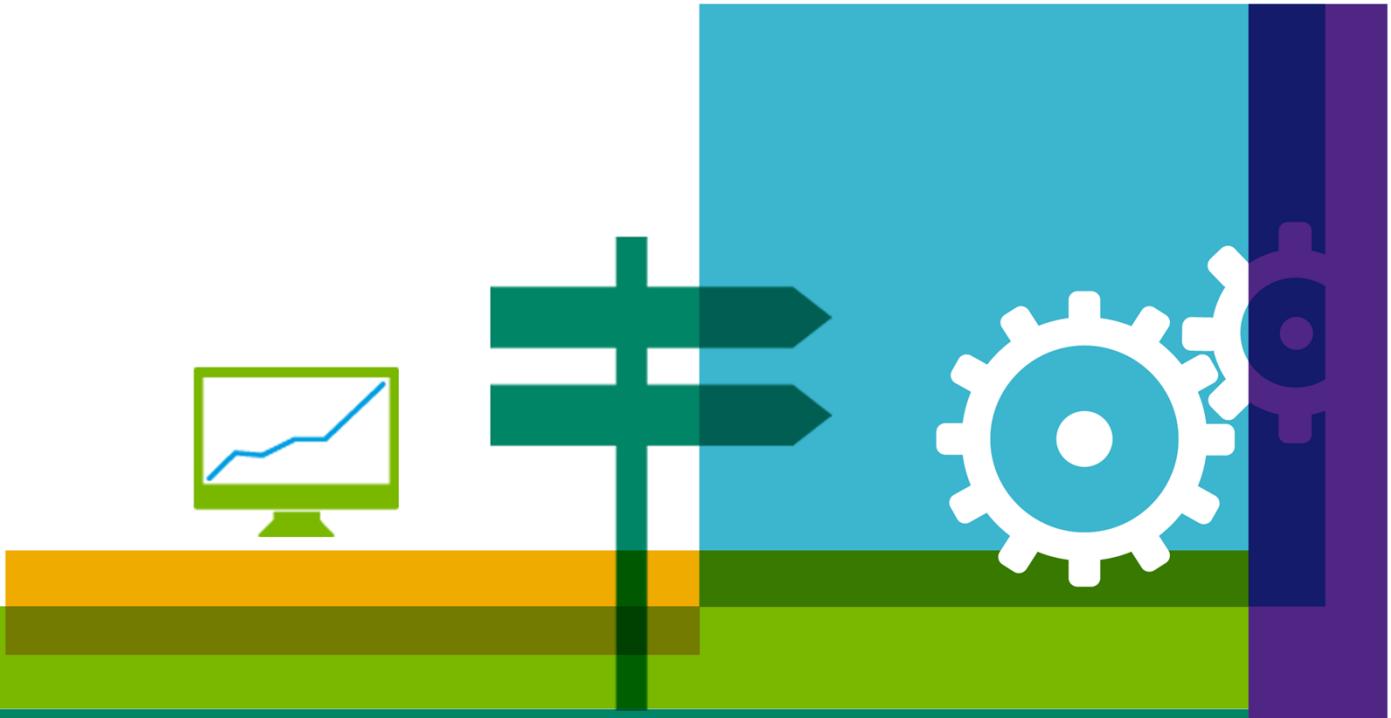
- 6.2 Local Pension Board, Terms of Reference:

[Appendix A – Terms of Reference for Local Pension Board – Amended , item 8. PDF 121 KB](#)

- 6.3 Local Pension Board Meeting – 29 November 2018 meeting:

- 6.4 <https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=9339&Ver=4>

CAPITA



Report to the Local Pension Board

1st November 2017 – 31st December 2017

London Borough of Barnet Pension Fund

22nd January 2018

Executive Summary

Capita Employee Benefits is pleased to report to the Local Pension Board of the London Borough of Barnet Pension Fund for the period November to December 2017 inclusive.

Encouragingly, as well as progressing many of the items included in the Service Rectification Plan (SRP), we have been able to maintain and improve upon the performance level achieved in the last period, reporting performance of 96.29% against the newly adopted performance targets for this period.

The Pension team has continued to make strong progress in delivering planned actions on the SRP and are engaged with the HR SRO to sign off and progress the remaining items.

Valuable feedback from the HR SRO has been received regarding improvements to the reporting of the administration of the Fund and these will be reflected in future reports.

The key focus in Q1 is around delivering the Employer Forum to proactively raise employer awareness regarding their role and responsibilities in relation to the administration of the Fund, particularly in relation to the provision of accurate and timely employee data as part of the year end process.

The Pension team has continued to meet regularly with LBB in order to bring increased transparency to the service. We fully support the meetings that have been set up with the Union to discuss any issues in the administration. The next meeting is scheduled for 21st February 2018.

Prepared by:

Paul James

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Performance Summary

Performance for period 1st November to 31st December 2017.

This report has been designed to provide a summary of the performance of the administration of the London Borough of Barnet Pension Fund for the period specified above.

The table below outlines a summary of the transactions in the period:

Table 1

<i>Table 1: Overall Summary</i>	
Case Group / Category	Volumes
<i>All work outstanding at the beginning of the period</i>	2647
<i>Cases received in the period</i>	2251
<i>Cases completed in the period</i>	2022
<i>Cases re-categorised during the period</i>	265
<i>All work outstanding at the end of the period</i>	2611
<i>Number of outstanding cases awaiting 3rd party information</i>	1771
<i>Number of workable items</i>	840
Total	2611
<i>Cases completed within standard LGPS targets</i>	1947

Capita is pleased to report that of the **2022** cases completed in the period, **1947** were completed within target which represents overall SLA compliance of **96.29%**.

This represents a slight improvement compared to the previous reporting period (94.29%), which is encouraging considering the focus and effort that has gone into progressing the deliverables on the Service Rectification Plan (SRP).

During November and December, we handled 1211 calls to the Pension Helpline. 72% of these calls were answered within 5 rings. Only 1.3% of calls are received after 5pm but this can lead to longer waiting time which we are seeking to address through extra cover on the lines.

Performance Breakdown

In order to provide a greater understanding of the key transactions completed in the period, the following table sets out our performance against those transactions showing the starting and finishing position and the performance level achieved against each Case Type in the period:

Table 2

Table 2: Summary Breakdown by Case Group

Case Group	Start	Received	Completed	Terminated	Carried F/Ward	Completed Within Target	SLA %	RAG
Change of details	31	84	92	10	13	92	100.00%	GREEN
Enquiries	157	426	409	41	133	399	97.56%	GREEN
Request for Estimate of Benefits	114	119	103	20	110	94	91.26%	GREEN
Leavers	600	153	102	29	622	85	83.33%	AMBER
New Starters	215	102	75	5	237	69	92.00%	GREEN
Retirements	124	75	51	27	121	38	74.51%	RED
Transfers In	46	6	3	3	46	3	100.00%	GREEN
Transfers Out	25	6	9	0	22	9	100.00%	GREEN
Bereavements	113	44	28	1	128	26	92.86%	GREEN
Other	1222	1236	1150	129	1179	1132	98.43%	GREEN
Total	2647	2251	2022	265	2611	1947	96.29%	GREEN

Whilst overall compliance is pleasing, we will focus our attention on those categories that are below 90% with a view to achieving this as a minimum standard in future.

For the purposes of SLA reporting, we have introduced a RAG rating based on the following levels of compliance:

- Lower than 80% - **RED**
- Between 80% and 90% - **AMBER**
- Over 90% - **GREEN**

Ultimately, our aim is to improve overall SLA compliance to be over 95% at all times, hence we are pleased to be able to show this as **GREEN** for the first time in this report to illustrate the progress being made in the administration.

A schedule of the SLA targets that form the basis of this compliance analysis is shown at **Appendix A**.

Focus during the next quarter will be to work with employers and their payroll providers to improve the quality and timeliness of data received for employees who have left employment and, in many cases, have decided to retire. During the period, we have been made aware of several cases where the member has contacted the Pension team to request details of final pension options or confirmation of pension payment dates, when final pensionable earnings details have not been received from the employer. This can be frustrating and disconcerting for the member, particularly at a time when they are going through a major life change. At times, this can lead to unwarranted complaints against the pension service which is totally dependent on receiving relevant salary details from the employer before we are in a position to calculate and make payment of final pension benefits.

It is hoped that through our plans for a greater focus on Employer Engagement and the plans to hold regular Employer forums, we will be able to impress a greater degree of awareness of the role of the employer and the consequence of not complying with their responsibilities as set out in the Fund Administration Strategy. Ultimately, this should help eliminate any possibility of a member facing potential delays in receiving their pension payments, thereby improving the member experience and customer satisfaction rates.

Quality

In the last report, we stated our intention to include details of the quality of the administration service as well as the quantitative analysis that underpin the recently agreed SLA measures shown as Appendix A to this report.

In order to do this, we are required to make some changes to our pension administration system to be able to report performance against quality standards at scheme level. This work has progressed to a point but there is more development work required and further testing needed before this reporting can be signed off.

The Pension team is currently working with our IT team to progress this work. This was delayed slightly during the latter part of December due to the fact that there is a self-imposed code freeze within CES to allow for cyclical “housekeeping” activities to be performed on our IT systems. This is due to be raised in early January when the outstanding development work will be picked up again.

Work in Progress Position

The following table provides a breakdown of the age profile of the cases that can be progressed by Capita and those cases that require third party information before further action can be taken as summarised in **Table 1**.

Table 3

Table 3: Case Age Summary											
<3 Months		3 - 6 Months		6 - 12 Months		12 - 18 Months		18 - 24 Months		>24 Months	
Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
236	346	144	214	419	529	25	395	5	282	11	5

A complete breakdown of all outstanding casework, split between workable items and non-workable items is shown as **Appendix 2**

Actions Required:

- Capita has commenced a review of all outstanding casework over 12 months old. Working closely with the HR SRO, we have proposed a number of ways that the outstanding casework can be reduced, based on a lack of engagement from the member or an interested third party for an extended period. We recognise, however, that from a member experience perspective, LBB may wish to take an alternative approach to that proposed even though there is been a period of inactivity in the case. It has been agreed, therefore, that a further discussion will be held with the HR SRO to agree an acceptable approach to cease activity on a case due to lack of contact that will stand up to audit scrutiny and therefore reduce outstanding work levels.
- Further discussions have been held regarding the Scheme Record Keeping Plan and the proposals put forward regarding the Common and Conditional Data test results. Agreement has been reached on the activities associated with the each proposal and this agreement has been captured in formal contract documentation and the work commissioned. Details of the agreed actions and progress made is reported and recorded at regular meetings to discuss the Service Rectification Plan. The proposal to address the outstanding leaver cases that represent a large proportion of the outstanding casework will be considered as part these discussions and progress will be reported at these meetings

Administration Update

NFI Screening:

The Pension team is taking all appropriate action on bereavement cases notified via the NFI portal. This process is now fully embedded into the administration operation with scheme data loaded into the NFI portal on a monthly basis to identify registered deaths. Matched records that are identified via this process are compared the pension administration database to highlight any un-notified deaths. In many cases, the next of kin or representatives may have already notified us of the death and appropriate action will have already been taken. In those cases where we have not been notified, we take action to suspend pension payments, if required, and contact the last known address and/or nominated beneficiaries to seek the appropriate documentation.

Additional Current Projects:

Service Improvement Plan

Working closely with LBB, Capita has continued to deliver against the requirements of the detailed Service Rectification Plan with monthly meetings scheduled in the diary to track progress and address specific concerns raised by the Council emphasising the need to bring:

- Increased transparency to the service
- Improved quality to members and employers
- Improved confidence in the service

The Pension team has made continued strong progress in delivery against planned activities

- Work to progress the data rectification requirements has been agreed and the relevant tasks captured in formal documentation.
- Work on the development of a formal Communication Strategy and Engagement Plan has been completed and will be further refined in Q1 as we consider the use of a range of communication channels.
- Initial draft of Employer Compliance policy has been circulated and further feedback on the draft is expected to allow a revised version can be drafted.
- Enhanced operational printing controls have been implemented to eliminate the risk of LBB correspondence being printed and issued on incorrect letterhead.

Focus in Q1 2018 is the further development of the Engagement Plan and, in particular, the date and content for the Employer Forum to raise awareness regarding the employers' role and responsibility in relation to the Fund's administration and, specifically, the process around the provision of timely and accurate End of Year data.

Union Meeting

We are committed to working with LBB and meet regularly with the Union to address any concerns and emerging issues. Our next meeting is scheduled for 21st February 2018.

One emerging theme that they have highlighted, as referenced earlier in this report, is the delays that certain members have experienced with regard to the provision of final pension details and confirmation of pension payment dates due to the fact that details of final pensionable earnings figures are not being provided by the employers or the payroll providers on a timely basis.

We are currently exploring ways we can raise member and employer awareness regarding their roles and responsibilities in the retirement process. This will be through the Employer Engagement process and the better use of the web and the information that is held there. In the meantime, all delays are

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addressed directly with the employer so that they are addressed immediately to avoid any member distress.

GMP Reconciliation

The Stage 1 GMP reconciliation report has now been received with recommended actions and associated fees for the work that is required over 2018 to fully reconcile the scheme contracted-out data to HMRC records.

The scope of the exercise and the extent of the investigations into non-matching elements needs to be agreed with the Council as this will ultimately determine the overall cost.

This exercise will be managed by a separate team in Capita who specialise in this activity. Progress towards the final reconciled position will be included in future reports.

Scheme Calendar Overview

	Category	Activity	Req'd by	Status	Achieved	Comment
1	Event	Child Review Report for 2017	31/08/2017	Ongoing		Review of children's pensions in payment ongoing. 29 cases identified for review. Requests for confirmation of continued eligibility have been issued and are being processed as part of the administration process
2	Event	Issue active member annual benefit statements	31/08/2017	Complete		All annual benefit statements issued by the due date, where possible. Individual query cases are being investigated and revised statements are issued at the point of query resolution
3	Event	Issue overseas pensioners life declarations	31/08/2017	Ongoing		Review of overseas pensioner payments ongoing. Requests for confirmation of continued eligibility have been issued and are being processed on receipt of response from the pensioner
4	Request	Summer Accounts data to Hymans	31/08/2017	Complete		All data was submitted to the Actuary by the due date and any subsequent queries were resolved in a timely manner
5	Request	Submit GAD Cost Cap Valuation data	31/08/2017	Pending	n/a	No data request received from GAD
6	Request	Liaise with GAD on Cost Cap Valuation outputs	30/09/2017	Pending	n/a	As 5 above
7	SIP	Common Data Analysis	30/09/2017	Complete		Common data analysis results have been shared with the client based on tPR's definition of new and legacy data. Further analysis supplied showing the results based on the data created prior to and after Capita's appointment as administrator. Formal documentation submitted to confirm agreement to cleanse activity
8	Event	Issue Pension Saving Statements to those who exceed Annual Allowance	06/10/2017	Complete		Pension Savings Statements issued to all members subject to a tax charge by 6th October
9	Event	Issue remaining Pension Saving Statements	31/10/2017	Complete		All remaining Pension Savings Statements issued by 31st October
10	SIP	Devise Conditional Data tests to LBOB	31/10/2017	Complete		Proposal for Conditional Data tests submitted by Capita and criteria for the tests agreed with LBB. Formal documentation drawn up to agree to programme of work to complete cleanse activity
11	Event	Issue Annual Scheme Return to tPR	31/10/2017	Complete		Annual Scheme Return completed and returned to tPR within agreed deadline. tPR has acknowledged receipt of return to Capita Finance
12	SIP	Analyse results of data loaded to Hymans Portal (the Brain)	31/10/2017	Complete		Full data extract loaded to Hymans portal and the data validation results analysed and compared to proposed Conditional Data tests. Results were consistent and covered by the proposed data tests. No additional data tests were necessary

This shows the position up to 31 December 2017. An updated Scheme Calendar is currently being prepared for 2018 to include the relevant elements from the SRP. Progress against the key dates will be included in future reports.

Complaints

The current status of the number of complaints received in the period is shown in the table below:

Member Ref.	Date Received	Details	Justified	Resolution	Status
Member E	7/8/17	Member claims to have not received answers to queries although there is no evidence of any queries being sent or received that have not been answered. A response issued on 09/05/17 contained an opting out form which has not been returned.	Y	The member's initial enquiry was made on 03/05/2017. Emails were sent to the member on 6 & 8 May requesting further information on each occasion. A full response was then provided on the 9 th , six days after the member's initial email. There is no record of any further correspondence until 20 July when the member accused us of ignoring her enquiries. It is possible that she did not get our email of 9 May or that she sent us a further enquiry which we did not receive. In any case, we did not reply to her email of 20 July until 9 August. Letter of apology issued with offer of gesture of goodwill for D&I.	Closed
Member F	24/8/17	Member complained as she has not received the response she was awaiting	Y	Full response provided with letter of apology for delay in responding and an offer for D&I	Closed
Member G	24/8/17	Member unhappy with delay in receiving CETV for divorce case. He has been made redundant and wishes to claim his pension. The PSO needs completing before we can calculate a CEV based on his pension.	Y	Case has taken over two years. Member has paid costs and is entitled to information	Closed
Member H	6/9/17	Member unhappy with length of time taken to pay retirement benefits. A retirement case has now been set up to issue retirement options.	Y	Member left 31/12/16 and has not claimed benefits. Option forms reissued with an apology and an offer for any D&I	Closed
Member I	20/9/17	Member requested information which we couldn't answer without obtaining details from her payroll provider. There has been a delay in obtaining the information we required because the contact we had no longer works at the payroll provider and we hadn't been informed. We now have a new contact and the relevant information has been requested again and the	N		Closed

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		member informed.			
Member J	28/9/17	Widow of member hasn't received forms that have been issued and has complained about delay. Case set up to reissue forms.	N		Closed
Member K	30/10/17	Member claims to have not received retirement options despite giving 5 month notice of planned retirement on 19 th September	N	Documentation and final salary details provided by outsourced payroll provider were incomplete and inaccurate. Pensions followed this up with payroll provider and issued pension options within 1 day of receiving the payroll details. Pensions have now established direct contact with member regarding his pension options in order to get these paid in accordance with his requirements. Further exchanges regarding the taxation of his pension payments have ensued and detailed clarification provided confirming that the tax position is correct and will be fully resolved in December payment. AVC funds have also been paid to the member	Closed
Member L	1/11/17	Member retired over 6 weeks ago. He has an ongoing dispute with Capita Payroll regarding the commencement of his AVC payments in 2014 and his subsequent request to increase his payment in 2017. This outstanding issue is preventing him from selecting his pension options and he is without income	N	The Pension team has contacted the member separately to offer an interim pension payment based on benefits excluding his AVC to provide an income until his payroll query is fully resolved. His complaint remains outstanding with payroll but has been closed for the purpose of pensions	Closed
Member M	6/11/17	Member requested to transfer in benefits from another scheme in 2011. The transfer was not completed at the time and the Council has refused his request for it to be processed retrospectively	N	This is an issue regarding delegated authority and Capita can only comply with legislative and Council policy.	Closed
Member N	7/11/17	Member is planning to retire but is unhappy that final leaver details have not been provided to the Pension team	N	The Pension team has chased the employer for leaver details but these remain outstanding. Member may refer the matter to his legal adviser	
Member O	10/11/17	Member is unhappy that she is unable to transfer her Police pension into the Barnet Pension Fund	N	Transfer regulations require a member to request a transfer in within 12 months. The Council has not given the discretion to allow to happen. The member believes she	

				was not provided with the necessary information at the beginning	
Member P	13/11/17	Member is querying whether pension in payment has been increased correctly.	tbc	A review of the pension in payment is required to establish if all elements have been increased correctly over the years	
Member Q	27/11/17	Member's widow is unhappy at the length of time it has taken to put spouse's pension into payment	N	Documentation received from Widow was incomplete. Full documentation not received until 30 November. Case completed the following day	Closed
Member R	30/11/17	Employer encourages member to complain regarding delays in putting pension into payment	Y	Delays in providing initial estimates caused member frustrations. Final documentation not received until 25th September which was incomplete. Salary query not resolved until 18 th October but benefits required sanctioning and this was delayed until November	
Member S	6/12/17	Member claims not to have received an annual benefit statement and has complained that she is not entitled to an automatic cash lump sum under the scheme rules	tbc	Member has referred case to the Ombudsman but has been advised that she must follow IDRP before they can consider her case. In the meantime a replacement ABS has been issued	
Member T	6/12/17	Member has received conflicting information regarding the benefits included in retirement quotes and would like confirmation of the correct amounts. Member has also complained about the delay in receiving benefits	tbc	Added years contracts incorrectly listed as 1/80ths on member's record instead of 1/60 th leading to over-stated estimates. Record corrected and final retirement benefits calculated on correct basis. Delays due to seeking clarification of added years contracts and the need to issue revised options.	
Member U	13/12/17	IFA requested retirement estimate and copy of ABS which could not be issued until receipt of salary information from payroll provider. IFA is unhappy with delays	N	Email response was issued to IFA on 19/9/17 but the IFA had difficulty opening it. IFA raised further requests for estimates on 14/11/17 but final pay data not received until 9/1/18	
Member V	22/12/17	Member unhappy with delay in receiving retirement benefits and the length of time to receive payment	N	Case was delayed by payroll provider not providing all information until 20/12/17. Final payment details issued 9/1/18 which is 1 day outside of SLA	

Appendix A

Standard LGPS SLA Measures

Case Type	Measurement
Change of Personal Details	Process change to member details within 10 days of receipt of request
General Enquiries	Provide response to member or beneficiary within 10 days of receipt of correspondence
Request for Estimate of Benefits	Issue benefit quotation within 10 days of receipt of request
Leavers on Termination / Opting Out	Provide statement of Preserved Benefits within 20 days of notification of exit
	Process payment of refund of contributions within 10 days of receipt of notification
	Process payment of transfer value within 10 days of receipt of all relevant documentation
New Starters	Creation of system record within 4 days of receipt of notification
Retirements	Issue retirement quote to members 7 months prior to their normal retirement date
	Issue retirement quote within 10 days of receipt of request
	Process payment of pension lump sum on normal retirement date of within 10 days of receipt of preferred options where appropriate

Transfers In	Issue request for transfer details to previous scheme within 5 days of receipt of new starter details
	Issue request for payment of transfer value within 10 days of receipt of member's confirmation to proceed
	Update member record with details of transfer in within 7 days of receipt of transfer value payment
Transfers out	Provide details of deferred pension and transfer value within 20 days of receipt of request from new scheme
	Process payment of transfer value within 10 days of receipt of member's confirmation to proceed
Bereavements	Issue initial correspondence to beneficiary following notification of death within 5 days
	Issue details of benefits payable on death within 5 days of receipt of completed documentation
	Process payment of death lump sum within 5 days of receipt of documentation
Miscellaneous (or Other)	Issue appropriate documentation / response to requests for information within 10 days of receipt of request

- Any reference to "day" (or "days") should be interpreted as Working Day which means a day Monday to Friday excluding English Bank and public holidays.

Appendix 2

Aged Breakdown of Outstanding Cases

Table 3: Case Age Breakdown

Case Group	<3 Months		3 - 6 Months		6 - 12 Months		12 - 18 Months		18 - 24 Months		>24 Months	
	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
<i>Change of details</i>	10	0	0	0	0	0	0	0	0	3	0	0
<i>Enquiries</i>	30	32	7	10	0	20	0	9	0	25	0	0
<i>Request for Estimate of Benefits</i>	15	33	8	19	3	19	0	6	0	7	0	0
<i>Leavers</i>	30	75	3	44	0	96	0	267	0	103	1	3
<i>New Starters</i>	47	1	1	0	13	150	0	2	1	22	0	0
<i>Retirements</i>	10	56	0	12	0	19	0	14	0	8	1	1
<i>Transfers In</i>	1	9	2	4	1	7	1	6	1	13	1	0
<i>Transfers Out</i>	4	1	5	3	0	9	0	0	0	0	0	0
<i>Bereavements</i>	9	38	0	19	1	28	0	10	0	21	2	0
<i>Other</i>	80	101	118	103	401	181	24	81	3	80	6	1
Total	236	346	144	214	419	529	25	395	5	282	11	5

Appendix 3

Glossary of Terms

Term	Description
Case	Any enquiry, request or transaction that requires action from Capita that is logged onto Capita's workflow system and measured against specific performance targets, as set out in Appendix 1.
Complaint	Any expression of dissatisfaction with any service provided by Capita or a member of its staff or any third party whether made in writing or verbally
Fund Administration Strategy	A formal statement from the Scheme Manager setting out the roles and responsibilities of all stakeholders in relation to the administration of the Pension Fund and the standard of performance that all stakeholders should expect.
GAD	Government Actuary's Department – responsible for providing actuarial advice to public sector clients
Operational Governance	A record of the procedural and systematic controls operated in the administration of the Fund to ensure compliance with all regulatory and client specific requirements
Pension Fund Risk Register	A formal register of all known and emerging risks and mitigating actions that the Scheme Manager will monitor and review on an ongoing basis to evidence effective governance
Scheme Calendar	A record of all cyclical activities that occur over a scheme year, some of which relate to regulatory compliance that are managed outside of member services.
Service Level Agreement	An agreed schedule of performance measures that sets out the targets for completing specific transactions within defined timescales that are built into and reported through Capita's operational MI
Third Party	Any individual, organisation or representative which Capita may rely on to provide information or documentation to complete an administrative process.

Appendix 4

“Other” Category

Appendix 2 above provides a breakdown of the categories of outstanding work. The nature of enquiries handled by the pension administration team can be varied and, consequently, the number of categories of work can be extensive.

Appendix 2 includes the case type “Other” which represents a number of miscellaneous categories of work that are undertaken in the administration of the Fund. Typical examples of the types of work that are captured under this category are:

- HMRC tax code changes
- HMRC enquiries
- GMP notifications
- GMP enquiries
- Child pension reviews
- Continued eligibility queries
- New entrants
- Pension abatement
- DWP enquiries
- Change in working hours
- Maternity leave
- Nomination enquiries
- Change in nomination details
- Processing original certificates
- BACS rejects
- Payment reissues
- NFI processing
- Pensionable service updates
- Power of Attorney / Court order deductions

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Internal Audit Report

Pensions Administration

January 2018

To: Stephen Evans, Assistant Chief Executive
Natasha Edmunds, Strategic HR Lead
Mark Dally, Barnet Partnership Director, CSG
Lucy Bailey, Operations Director, CSG
Audrey Weightman, Business Manager, CSG HR Solutions
Chris Dixon, Head of Business Assurance, CSG Employee Benefits
Paul James, Head of Public Sector Pensions, Capita

Copied to: Kevin Bartle, Director of Finance
Paul Clarke, Head of Finance
Andrew Charlwood, Head of Governance
Paul Frost, Governance Service Team Leader
Colin Barker, Operational Delivery Manager, CSG
Graeme Lennon, HR Director, CSG
Richard Budd, Operations Director, CSG

From: Caroline Glitre, Head of Internal Audit

We would like to thank management and staff of Capita Employee Benefits for their time and co-operation during the course of the internal audit.

Executive Summary

Assurance level	Number of recommendations by risk category				
	Critical	High	Medium	Low	Advisory
LIMITED ASSURANCE	-	2	6	1	-
Scope					
This report sets out the findings of our work undertaken in October and November 2017 to review the design and operating effectiveness of controls in place in relation to pensions administration, in line with our terms of reference agreed on 9 October 2017. The scope of work and controls identified are summarised in Appendix 3.					
Summary of findings					
<p>The administration of London Borough of Barnet's pension fund ("the fund" or "the scheme") is outsourced to Customer Support Group ("CSG", part of Capita) who are responsible for working with scheme employers to ensure that the records are kept up to date and that members are supplied with correct information regarding their pension entitlements. The Council, as administering authority, is currently subject to scrutiny by The Pensions Regulator ("TPR") in light of concerns raised when it investigated the Council's failure to submit its 2016 annual return. Correspondence between the Council and TPR highlights several weaknesses in the control environment of the fund and the Council are in regular correspondence with them to provide evidence that controls have been developed and are being embedded. The Council issued CSG with a contractual remedy notice on 25 August 2017 in light of the issues being experienced with the service. The Council also agreed a service improvement plan in August 2017 with CSG as a result of these enquiries, covering the quality assurance, project management and communications improvements needed to ensure the scheme complies with TPR's requirements. Progress against this plan is being regularly monitored at monthly senior officer meetings. It was reported to the Local Pensions Board that the 2017 scheme return was submitted on 10 November 2017, ahead of the 22 November 2017 deadline.</p> <p>We found that scheme member transactions are mostly well managed through Hartlink, the pension fund administration system, but that there are weaknesses in the processes which take place outside Hartlink, such as the annual benefits statement process, and governance of scheme administration. A review of data quality has also identified significant issues and the arrangements with scheme employers means that the scheme currently has limited ways of encouraging compliance with scheme working practices. The scheme will need to invest in improving the quality of existing data and the data gathered in future. We acknowledge that this may be a costly exercise, however, the scheme has the ability to charge scheme employers for this data quality work both now and in the future under regulation 70 of The Local Government Pensions Scheme Regulations 2013, providing the reason for the rectification work is due to scheme employers failing to meet its obligations. Going forward, the scheme will also need to work more closely with employers, for example by engaging proactively when changes to membership are detected, and will need to consider both exercising its right to report employers to TPR if employers do not comply with legal requirements and charging additional costs incurred resolving issues to employers as permitted by the scheme regulations.</p>					
This audit has identified two high, six medium and one low risk findings.					
We identified the following high risk-rated issues as part of the audit:					
<ul style="list-style-type: none"> • Scheme data quality (finding one) – A data quality review undertaken by CSG, on behalf of the Council, in October 2017 identified that the quality of data held to identify team members is below the standards expected by TPR, with 85% of records created before June 2010 containing missing information compared to a target of 95%. We also identified that a data quality review of the data used to calculate benefits and value the fund has not been undertaken, but a review is currently being scoped. We also found that there were issues in the data provided to CSG by employers for 60% of the employers reviewed and 					

that there was no reporting on the nature and extent of data quality issues noted. This increases the risk of inaccurate data being held by the scheme and delays in preparing annual benefits statements not being identified.

- **Preparation of annual benefit statements (finding two)** – We found that there were weaknesses in the project management of the annual benefits statement process which meant that the results of data quality checks for a number of employers, from whom data was received in May 2017, were not communicated until mid-July 2017 reducing the period available to resolve any issues from three months to one month. We also found that there were a number of active member records for which no benefit statement was prepared due to a lack of data. This led to some members receiving annual benefit statements after the statutory deadline of 31 August 2017, or not at all. This was an area of concern raised by TPR when it considered the 2015/16 annual benefit statements process.

We identified the following medium risk-rated issues as part of the audit:

- **Retirement benefit calculations (finding three)** – A number of retirees received their benefits over 30 days after they retired as a result of delays in notifying the scheme of their intention to retire, either by the employee or employer. We also found that annual benefit statements did not communicate the timescales involved in retirements leading to members not being aware of the timescales involved. There is a risk that retirees may not receive their benefits promptly leading to financial hardship.
- **Governance of scheme administration (finding four)** – We found that contract monitoring meetings held to monitor the pension administration section of the CSG contract were not formally recorded by the Council and that the employer targets for the scheme administration strategy are not monitored. This could lead to the Council not identifying breaches of laws and regulations.
- **Communication strategy (finding five)** – There was no scheme communication strategy or agreed fund administration strategy in place during the period under review. This could lead to scheme members having an expectation gap between what they expect and what is provided by the scheme or scheme records may be incomplete as a result of employers not working effectively with the administration team.
- **New members and impact on data quality (finding six)** – The scheme does not follow up on new joiners identified outside of the usual notification process and there were duplicate records. This could lead to membership records being incomplete meaning that scheme liabilities could be understated.
- **Transfers (finding seven)** – There were some delays in the payment of transfers out of the fund and issuing letters to scheme members once the transfer took place. This could lead to members not being aware of their entitlement or leading to breaches of legal requirements in relation to transfers out.
- **Breaches of law (finding eight)** – The Council did not have a breaches of law policy in place until late October 2017 and does not receive reporting on possible breaches of law. TPR also identified that CSG did not report a breach of law when 2016 annual benefit statements were issued late. The Council may not report matters required to TPR leading to them being exposed to fines or other civil action by TPR.

We identified the following low risk-rated issue as part of the audit:

- **Creation of new members records (finding nine)** – A large number of records were created and authorised outside of the timespan stated in the scheme administration strategy. This could lead to the scheme's membership numbers and record of benefits earned being understated.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action
1.	<p>Scheme data quality</p> <p><i>Control design</i></p> <p>The Council's pension fund is required to hold a large amount of data on scheme members. This data is used to contact members and calculate benefits. The scheme is now a career revalued earnings (CARE) scheme, for benefits earned after 1 April 2014 which means that the scheme is required to hold data on pensionable pay for each year since that date to calculate each member's pension entitlements correctly. TPR expect that schemes review their data annually and implement improvement plans where poor quality or missing data is identified. Prior to this year, no reviews had been undertaken of data held.</p> <p>During the audit, we noted that:</p> <ul style="list-style-type: none"> One data quality review was undertaken by CSG on behalf of the Council during the period to identify whether data held by the scheme is complete. This focused on "common data", a dataset specified by TPR as being data required to uniquely identify scheme members. Data held passed for 85% of members for whom records were created before June 2010 and 91% for records created after June 2010. These are below TPR's target of 95% and 100% respectively. At the time of our fieldwork (October/November 2017), the results were being communicated to the Council. CSG are currently working with the Council to agree a plan to resolve the data quality issues noted as part of the agreed service improvement plan. There has been no recent review of the quality of 	<p>If inaccurate or incomplete data is held on scheme members, then benefits paid to members may be incorrect or members may be provided with incorrect information on their pension entitlement.</p> <p>If inaccurate or incomplete data is provided to the scheme's actuary, the valuation of the scheme may be inaccurate which could lead to scheme employers being under or overcharged deficit reduction contributions.</p> <p>The extent of data quality issues may not be known leading to unexpected delays in providing information to scheme members.</p>	HIGH	<p>Agreed Action:</p> <ol style="list-style-type: none"> We will deliver the improvement plan, as agreed with the scheme manager, to improve data quality so as to meet TPR's target standards. We will also consider recovering the cost of this from employers, where the reason for the data quality issues is their failure to fulfil their obligations to the scheme and if employers are unable to assist with the update of members' records we will consider if this is a breach of law reportable to TPR. We will review the quality of conditional data by 28 February 2018 as per the agreed service improvement plan and will update this data, as agreed with the scheme manager, prior to the triennial review of the fund due as at 31 March 2019. We will discuss how to complete employer's end of year returns at the planned employers' forum to ensure that employers are aware of requirements. We will inform

Re f	Finding	Risks	Risk category	Agreed action
	<p>“conditional data”, defined by TPR as being the data required to calculate pension benefits. The service improvement plan specifies that a review of conditional data quality will be completed by 28 February 2018.</p> <p>In order to update data held by the scheme, CSG receives an annual submission from scheme employers which includes current full time equivalent salary, qualifying pay in the period and contributions deducted in the period. This return is used to update Hartlink and is used to prepare annual benefit statements. This exercise usually identifies data quality issues, for example, 12/20 employer returns that we reviewed identified new members who had not been notified to the scheme. For each of these employers, CSG wrote to employers to request the appropriate forms were supplied to allow CSG to create new member records.</p> <p>We found that:</p> <ul style="list-style-type: none"> The pensions administration team does not have a detailed checklist of items it reviews for each submission which is retained with the submissions to evidence the completion of their review; The pensions administration team does not perform a check on each employer submission to ensure that all employees who are logged as active members of the scheme for that employer have information provided; There is no monitoring and reporting of the nature and extent of data quality issues identified in the submissions made by employers, such as new members not notified to the scheme and unusual salaries, and the subsequent resolution of these issues; and The pensions administration team does not undertake 			<p>employers that they will need to sign a statement saying that what has been submitted is accurate, and that they have done their own checks prior to submission. We will also ensure scheme employers are aware of our ability to charge them the cost of undertaking work to rectify issues in their initial submissions.</p> <p>d) We will ensure analytical reviews are undertaken over contributions received and reported to ensure movements reported are reasonable and reconciliations will be performed between amounts reported and the general ledger. We will consider if any further assurance is required over the accuracy of contributions received, considering whether sufficient assurance is provided by reviews undertaken by internal audit and external audit both at the Council and employers.</p> <p>e) We will create a checklist which will be used to evidence the review of end of year returns. These checks will include reviewing whether data is provided for all active member records.</p> <p>f) We will log data quality issues identified by type of issue and both record and monitor the number of</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>to ensure that the correct contributions have been deducted by employers for employees. This is due to employee contribution rates fluctuating month on month and this would require them to undertake a detailed review of monthly pay to confirm contributions are correct. It should be noted that responsibility for deducting the correct contributions lies with the individual employer.</p> <p>These data issues are most likely to affect the actuarial valuation of the scheme as most data held is validated with scheme employers before benefits are paid. However, for benefits earned after 1 April 2014, the start of the CARE scheme, this check may become ineffective as the period between benefits being earned and benefits paid increases.</p>			<p>records not loaded to Hartlink. A summary of issues encountered will be presented annually to the Local Pension Board and employers.</p> <p>Responsible officer: Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p> <p>Target date:</p> <ul style="list-style-type: none"> a) 31st August 2018 b) 28th February 2018 (analysis completed) / 31st March 2019 (data rectification complete) c) 28th February 2018 d) 30th June 2018 e) 30th April 2018 f) 31st May 2018
2.	<p><u>Preparation of annual benefit statements</u></p> <p><i>Control design and operating effectiveness</i></p> <p>The scheme is required to issue annual benefit statements, which report each member's accumulated pension entitlements at the end of the financial year, by 31 August of each year. There are a number of steps involved in the process including, uploading of end of year returns and uplifting accumulated benefits in the CARE section of the scheme by the index.</p> <p>We noted the following control design deficiencies in the</p>	<p>Annual benefit statements may not be issued promptly leading to reputational damage to the Council and fines from TPR.</p>	HIGH	<p>Agreed Action:</p> <ul style="list-style-type: none"> a) We will prepare a detailed project plan for the provision of annual benefit statements, as well as the other key milestones in the Scheme Year Planner and the Triennial valuation, and this will be approved by the Council. Progress

Re f	Finding	Risks	Risk category	Agreed action
	<p>process to collect returns for the year-ended 31 March 2017:</p> <ul style="list-style-type: none"> Chasing of late end of year returns by the pensions administration team took place one month after forms became due, reducing the time to resolve any data quality issues by 3½ months to 2½ months; The vast majority of data quality issues required to be resolved by scheme employers were communicated to employers in mid-July 2017. Given that a large number of employers are schools, this makes it less likely that responses will be received in time to meet a 31 August 2017 deadline; There is no documented process for reviewing and evidencing the review of the accuracy of calculations performed within Hartlink which are used to populate annual benefit statements; and There is no formal monitoring and reporting to the Local Pension Board of the number of benefit statements not issued. <p>We tested a sample 25 active member records to ensure that statements were issued on time. We found that:</p> <ul style="list-style-type: none"> 4/25 statements were not issued before 31 August 2017 as a result of issues identified and being resolved with employers; and 5/25 statements were not issued as no end of year return data was held. This is thought to be due to employers not notifying the scheme of leavers. CSG management have identified that there are potentially over 1,000 such records. <p>Through discussions with CSG management, we note that there is an intention to allocate specialist project managers</p>			<p>will be monitored and managed by specialist project managers. Progress against the agreed plan will be reported to the monthly CSG pensions administration contract monitoring meetings.(see finding 5)</p> <p>b) We will introduce a process for reviewing calculations used to populate annual benefit statements. This will include sampling of calculations and also how this is evidenced</p> <p>c) We will work with scheme employers to close active records where no employment data has been reported in 2016/17.</p> <p>d) We will consider how we can change the relationship with employers and their payroll providers to encourage compliance with scheme requirements, such as reminding employers of the scheme's ability to recharge the cost of any rectification work undertaken by the fund, and reporting employers to TPR for breaches of law.</p> <p>Responsible officer:</p> <p>Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG</p>

Ref	Finding	Risks	Risk category	Agreed action
	to the 2018 annual benefits statement process.			<p>Employee Benefits)</p> <p>Target date:</p> <ul style="list-style-type: none"> a) 31st March 2018 b) 31st May 2018 c) 31st August 2018 d) 28th February 2018
3.	<p><u>Timeliness of the notification of planned retirements</u></p> <p><i>Control design and operating effectiveness</i></p> <p>The draft fund administration strategy (see finding 6) states that scheme employers are expected to notify the pension administrations team at least 30 days before a scheme member's expected retirement. Scheme members are then issued with retirement option forms and these are returned before payment can be authorised. Final calculations are released within 10 working days of receipt of completed option forms.</p> <p>We noted the following:</p> <ul style="list-style-type: none"> • There are no communications to scheme members regarding the requirement to notify the scheme, via their employer, of any intention to retire. This means that scheme members may not be aware of the time required to complete retirement processes. <p>We reviewed a sample of 20 retirements in the period and found that:</p> <ul style="list-style-type: none"> • 10/20 retirees were paid lump sums more than 30 days after their retirement date. The root cause of the delays were one or a combination of: late notification by the employer; employers failing to promptly answer queries on information provided; or delays in 	If benefits are not calculated correctly or paid to retirees promptly then retirees may suffer financial hardship and the Council may suffer reputational damage	MEDIUM	<p>Agreed Action:</p> <ul style="list-style-type: none"> a) Scheme members will be informed of retirement timescales by including this information in newsletters sent with annual benefit statements and other communications. b) We will remind employers of the need to promptly notify the scheme of potential retirements and use information provided by employers to proactively identify potential retirees. c) The scheme's communication strategy will include communicating with members nearing retirement to proactively engage with them regarding their retirement. <p>Responsible officer:</p> <p>Paul James (Head of Public Sector</p>

Ref	Finding	Risks	Risk category	Agreed action
	receiving completed option forms from members.			Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits) Target date: a) 31 st March 2018 b) 28 th February 2018 c) 31 st January 2018
4.	<p>Governance of scheme administration</p> <p><i>Control design</i></p> <p>The Council's Pension Fund Committee is the 'scheme manager' and as such has overall responsibility for the pension scheme. It has been agreed that the Local Pension Board will oversee the administration of the scheme, including the performance of CSG.</p> <p>CSG are responsible for managing the administration of the scheme. There is a group, comprising senior Council officers and CSG staff, who meet monthly to monitor the pensions administration part of the CSG contract.</p> <p>We found that:</p> <ul style="list-style-type: none"> During the period under review, meetings of the group which monitors the pensions administration part of the CSG contract were not formally minuted by the Council; A formal risk register reviewing scheme administration risks did not exist before August 2017 and was first reported to the Local Pensions Board on 11 September 2017; and The draft fund administration strategy specifies certain targets to be met by scheme employers, 	If management information does not monitor compliance with the fund administration strategy then the Council may breach legal requirements leading to fines and further reputational damage.	MEDIUM	<p>Agreed Action:</p> <ol style="list-style-type: none"> We will review the risk register at each governance meeting and ensure these meetings are minuted. We will agree a Terms of Reference for the monthly governance meetings. We will investigate how we can report on the compliance of employers and payroll providers with the fund administration strategy, once adopted and report management information produced to the Local Pensions Board. <p>Responsible officer:</p> <ol style="list-style-type: none"> a) and c) Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business

Ref	Finding	Risks	Risk category	Agreed action
	<p>including the provision of data to the administrator at the end of each scheme year and the provision of information regarding new members. Compliance with these targets is not monitored and reported to the Council or the Local Pensions Board.</p> <p>There are also regular meetings between CSG, the Council and the Trade Union to discuss the actions being taken to address a number of issues the Trade Union has raised.</p>			<p>Assurance, CSG Employee Benefits)</p> <p>b) Chris Dixon (Head of Business Assurance, CSG Employee Benefits) / Natasha Edmunds (Strategic HR Lead)</p> <p>Target date:</p> <p>a) 11th January 2018</p> <p>b) Complete</p> <p>c) 31st March 2018</p>
5.	<p><u>Communication strategy</u></p> <p><i>Control design and operating effectiveness</i></p> <p>The pension fund is required to communicate with its stakeholders, including scheme members and scheme employers. It is normal practice for key information on the fund to be held on the Council's website so that employers and scheme members, whether active, deferred or pension members, can access the information. TPR requires that the scheme has a strategy to communicate with members and identifies that members should receive information when they join the scheme and as scheme terms vary.</p> <p>We found that:</p> <ul style="list-style-type: none"> • There is no strategy for communication with scheme employers and members beyond requesting the information required, such as the end of year return information. This has been identified within the service improvement plan and is due to be agreed and implemented before the start of 2018. 	<p>If there is not a clear communication strategy with scheme members then there may be an expectation gap between what members expect and what is provided leading to increased complaints.</p> <p>If there is no clear communication strategy with employers, then scheme members may receive a below standard service or scheme records may be inaccurate or incomplete leading to under or overpayments of benefits.</p>	MEDIUM	<p>Agreed Action:</p> <p>a) A communication strategy, including the provision of sufficient quality assurance over communications with members and employers, will be developed and agreed by the Local Pensions Board.</p> <p>b) A flowchart will be created for retiring members to enhance clarity around what they should expect to happen when.</p> <p>c) Responsibility will be agreed for keeping the LGPS section of the Council's website updated regarding the operation of the LGPS scheme and a process for</p>

Ref	Finding	Risks	Risk category	Agreed action
	<ul style="list-style-type: none"> • The LGPS section of the Council's website was last updated in 2014 and does not contain up to date information on the scheme or contact information for the current administration team. • There was no agreed fund administration strategy, specifying what is expected of scheme employers, in place during the period under review. However, a draft strategy was approved, subject to consultation with employers, at the 11 September 2017 meeting of the Local Pension Board. • Annual benefits statements issued and scheme website do not give contact details of the CSG team responsible for pensions administration to allow them to raise any queries directly to CSG. 			<p>ensuring this remains up to date will be included in the communications strategy.</p> <p>d) The fund administration strategy will be finalised and issued to scheme employers. We will also ensure employers are aware of the scheme's ability to recover costs incurred through not complying with the administration strategy and that non-compliance with the strategy could be construed as a breach of law, reportable to TPR.</p> <p>e) We will ensure that annual benefit statements and the website include contact details for the CSG pensions administration team.</p> <p>f) We will change the format of the presentation of estimates so that the Annual Benefit Statements are easier to understand.</p> <p>Responsible officer: Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p> <p>Target date:</p> <p>a) 14th February 2018 b) Complete c) 31st January 2018</p>

Ref	Finding	Risks	Risk category	Agreed action
				d) 31 st January 2018 e) 28 th February 2018 f) 31 st March 2018
6.	<p><u>New members and impact on data quality</u></p> <p><i>Control design and operating effectiveness</i></p> <p>Some scheme employers also provide CSG with a listing of employees and contributions paid each month. These are checked to ensure that all employees have records in Hartlink, the pension fund administration system. In addition, there is an interface between the payrolls administered by CSG and Hartlink. This is designed to identify potential duplicates and create new member records where new members are identified.</p> <p>We found the following control deficiencies:</p> <ul style="list-style-type: none"> • There is no central log of new joiners identified from a review of monthly contributions paid to the scheme. This means that records for new members may not be created promptly, leading to issues with the annual end of year returns process. • We found that there is no review of potential duplicate records created when data is loaded to Hartlink by the interface with CSG managed payrolls. This can lead to duplicate member records, overstating the number of pension accounts. <p>We tested a sample of 25 new members records created in the period. We found that:</p> <ul style="list-style-type: none"> • 1/25 records was a duplicate record. In this case, a record was created by the employer submitting a new member form and the second record by the interface between the payroll system and Hartlink. The 	<p>If records are not created for new members identified then their entitlement to future benefits may not be recorded.</p> <p>Duplicate records may lead to the fund's membership numbers being overstated and confusion for scheme members.</p>	MEDIUM	<p>Agreed Action:</p> <ol style="list-style-type: none"> We will use monthly scheme returns to identify new members and potential leavers and record this in Hartlink, so as to create a task to request paperwork from employers to support the change in status of members. We will review records created by the interface between the payroll system and Hartlink to ensure that duplicate entries are resolved before Annual Benefit Statements are issued. <p>Responsible officer:</p> <p>Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p> <p>Target date:</p> <ol style="list-style-type: none"> 31st January 2018 30th June 2018

Ref	Finding	Risks	Risk category	Agreed action
	duplicate has now been deleted. The agreement of pay and service before retirement ensures that members do not receive duplicate payments.			
7.	<p><u>Transfers</u></p> <p><i>Operating effectiveness</i></p> <p>Scheme members can transfer their benefits into and out of the scheme so that their benefits sit with their current employer's pension scheme. The Council's draft fund administration strategy states that tasks relating to transfers should be completed by CSG within 10 working days.</p> <p>We tested a sample of two transfers into the fund to ensure that the above timescales were met and found that:</p> <ul style="list-style-type: none"> • In both cases, letters were issued to fund members more than 10 working days after completion of the transfer. <p>We tested a sample of five transfers out of the fund to ensure that the above timescales were met and found that:</p> <ul style="list-style-type: none"> • In 2/5 cases, payments to other schemes were made after more than 10 working days. In one case, the transfer took over two months to be approved due to the size of the transfer. <p>It should be noted that compliance with best practice turnaround times are monitored and reported to the Council and the Local Pensions Board. This best practice guidance is incorporated in the draft administration strategy which now form part of contractual SLAs.</p> <p>The most reporting to the Local Pension Board, as at the 31 October 2017, identified that there were 42 transfers which had yet to be completed which were over three months old. 4 of these related were awaiting Capita action and 38 of</p>	<p>If transfers are not updated promptly then members may have inaccurate knowledge of their pension entitlements.</p> <p>If transfers out are not actioned promptly, then the scheme may be fined by TPR and the Council may suffer reputational damage.</p>	MEDIUM	<p>Agreed Action:</p> <ol style="list-style-type: none"> Work will be allocated so that the targets set in the administration strategy, which are SLA targets, are achieved. We will work with third parties to clear the backlog of transfers. <p>Responsible officer:</p> <p>Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p> <p>Target date:</p> <ol style="list-style-type: none"> Complete 31st March 2018

Ref	Finding	Risks	Risk category	Agreed action
	these were awaiting third party action.			
8.	<p>Breaches of law</p> <p><i>Control design</i></p> <p>It is a legal requirement that breaches of the law of material significance to TPR are reported to TPR.</p> <p>We found that:</p> <ul style="list-style-type: none"> • The Pension Fund Committee approved the scheme's policy on reporting breaches of law on 24 October 2017 with no approved policy in place prior to this date. However, CSG staff use a Capita policy and procedure to identify breaches of law and assess them. The Capita policy is aligned to TPR's guidance and thus aligned with the Council's policy for identifying and assessing breaches. This means that Council staff may not have identified and reported issues as required; • TPR have concluded that CSG and the Council did not promptly identify that the failure to issue annual benefit statements on time in 2016 could be a reportable breach of law; and • The Council does not receive reporting of matters, such as delays in receiving contributions or late data returns from employers, to enable it to identify if potential breaches of law have occurred. <p>CSG expect that breaches identified will be reported through to the Council and the Local Pensions Board. Reporting of breaches would be made either immediately or after discussions with the Council, as scheme managers, depending on the severity of the breach.</p>	<p>If members or officers of the Council or the pensions administration team are not aware of the need to report breaches of law then breaches may not be reported promptly which could expose the Council to fines or other civil action.</p>	MEDIUM	<p>Agreed Action:</p> <ol style="list-style-type: none"> We will train members of staff at the Council and CSG on the scheme's policy on breaches of law We will maintain a record of identified breaches of law which will include any breaches of scheme requirements by employers which are breaches of law. This will be included in the monthly reporting to the governance meeting. The Council will review breaches identified and report breaches considered to be of material significance to TPR. <p>Responsible officer:</p> <ol style="list-style-type: none"> a) and b) Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits) c) Natasha Edmunds (Strategic HR Lead) <p>Target date:</p>

Ref	Finding	Risks	Risk category	Agreed action
				a) 31 st January 2018 b) 11 th January 2018 c) Ongoing and monitored through monthly reporting
9.	<p><u>Creation of new member records</u></p> <p><i>Operating effectiveness</i></p> <p>The fund's draft administration strategy requires that the scheme's employers inform the pension administration team of new scheme members within 10 days of the employee becoming eligible or by the end of the month they joined, and new records should then be created within 10 days. These timescales are considered best practice for schemes.</p> <p>We tested a sample of 25 new members to confirm that new member records were established and authorised in Hartlink within 20 days of joining or 10 days of month end.</p> <p>We found that:</p> <ul style="list-style-type: none"> • 19/25 had records created outside of the period identified in the fund's draft administration strategy. This was due to delay by employers in informing the pensions administration team of new members with the correct paperwork to create new records and delays in processing the interface between the Council's payroll and Hartlink. Of these 12 of the new records related to members whose pay and pension arrangements are managed by CSG. 	If records are not created promptly, then records of members and benefits due may be incomplete which could result in the scheme being undervalued at triennial revaluations.	LOW	<p>Agreed Action:</p> <p>a) Employers will be reminded of the need to notify the scheme of new joiners promptly.</p> <p>b) We will use data provided to us by employers to identify potential new members of the scheme and log new members identified in Hartlink, pending paperwork.</p> <p>Responsible officer:</p> <p>Paul James (Head of Public Sector Pensions, Capita) / Chris Dixon (Head of Business Assurance, CSG Employee Benefits)</p> <p>Target date:</p> <p>a) 28th February 2018 b) 31st January 2018</p>

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Risk rating	
Critical ●	Immediate and significant action required. A finding that could cause: <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High ●	Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause: <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium ●	A finding that could cause: <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low ●	A finding that could cause: <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial ●	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Reasonable ●	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited ●	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.

No ●	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
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Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Managing risks	-	-	-	-	1	-	-	-	1
Administration – scheme record keeping	-	-	1	-	1*	-	-	1	3
Administration – providing information to members	-	-	1*	-	1*	1	-	-	3
Administration – providing information to and receiving information from employers and other admitted bodies	-	-	-	-	1*	-	-	-	1
Resolving issues – resolving disputes and breaches of law	-	-	-	-	1	-	-	-	1
Governing the scheme – submitting returns	-	-	-	-	-	-	-	-	-
Total	-	-	2	-	5	1	-	1	9

*Includes finding relating to control design and operating effectiveness

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed:	Fieldwork commenced:	Fieldwork completed:	Draft report issued:	Management comments received:	Final report issued:
9 October 2017	9 October 2017	1 December 2017	5 December 2017	8 January 2018	9 January 2018

Appendix 3 – Identified controls

Area	Objective	Risks	Identified Controls
Managing risks	There are defined arrangements to ensure oversight over pension administration activity and the fulfilment of requirements.	<p>Governance arrangements may not support the Council effectively fulfilling pension administration requirements if:</p> <ul style="list-style-type: none"> • Governance responsibilities, including key accountabilities, are not clearly defined; • Compliance with internal SLAs (for example between payroll and pensions) is not monitored to mitigate operational issues arising due to dependencies; • Management information is not accurate or is not produced to facilitate oversight and scrutiny; • Target timeframes are not in place to process transfers and compliance against targets is not measured. • Action plans to address wider issues identified through complaints are not formulated leading to underlying issues, 	<ul style="list-style-type: none"> • Scheme administration is overseen by the Local Pensions Board • There is a governance group, made up of members of the Council and CSG, who oversee administration of the scheme (see finding 4) • There is a clear scheme of responsibilities in the pensions administration team • There are SLAs in place for queries which are reported to the Local Pensions Board • Reporting includes compliance against SLAs and the number cases outstanding, and their ageing • Management information relating to task management is prepared in Hartlink and targets are embedded into task management processes (see finding 4) • A service improvement plan is in place to address issues identified • Actions are logged as part of governance group meetings (see finding 4) • A risk register exists and is reported to the governance group and the Local Pensions Board (see finding 4)

Area	Objective	Risks	Identified Controls
		<p>such as inaccurate calculation of pension benefits, continuing; and</p> <ul style="list-style-type: none"> • A comprehensive risk register does not exist or is not regularly updated. 	
Administration – scheme record keeping <u>Member information – scheme joiners</u>	Contributions made to the fund by employers and employees are accurate, timely and complete for all new joiners.	<ul style="list-style-type: none"> • Inefficient processes may lead to applications not being processed on a timely basis resulting in a delay in members joining the scheme. • Inaccuracies in information supplied (such as salary details) may lead to an incorrect contribution rate upon enrolment leading to over or underpayments of contributions. • Duplicate members are not identified leading to members' pension entitlement not being calculated accurately. 	<ul style="list-style-type: none"> • Members information is supplied by employers and records created within 20 working days of starting or 10 days after the end of the month the employee joins the employer (see findings 6 and 9). • Hartlink identifies potential duplicate records (see finding 7).
Administration – scheme record keeping <u>Member information – updating active member</u>	Data recorded on the pensions system in respect of active members (Hartlink) is accurate and complete.	Data held on the system may not be accurate or up to date resulting in inaccurate data submissions to the regulator and inaccurate calculation of the scheme's funding status if: <ul style="list-style-type: none"> • Information is not received from scheme employers in 	<ul style="list-style-type: none"> • Employers are notified in advance of the requirement to supply information and deadlines specified for the provision of data (see finding 2) • Employers are chased to provide information if provided late (see finding 2) • Submissions are reviewed by CSG prior to data upload and queries on data returned to employers (see findings 1 and 3)

Area	Objective	Risks	Identified Controls
<u>records</u>		<ul style="list-style-type: none"> line with required timeframes; Inaccurate or incomplete submissions are not identified and resolved; Information is not uploaded accurately in to the underlying system; and Membership records are lost and not promptly replaced. 	<ul style="list-style-type: none"> Data is uploaded direct from spreadsheets to Hartlink
Administration – scheme record keeping <u>Member information – updating pensioner member records</u>	Data recorded on the pensions system in respect of pensioner members (Hartlink) is accurate and complete.	<ul style="list-style-type: none"> A lack of a systematic approach to updating the pension records may mean that pension payments may continue to be made in respect of deceased individuals. 	<ul style="list-style-type: none"> Deaths identified/reported are recorded on Hartlink and pension payments blocked for these members Results from the National Fraud Initiative and “Tell us once” are used to identify possible deaths
Administration – scheme record keeping <u>Calculation of benefits payable</u>	Accurate and timely pension payments are made to retired scheme members.	<ul style="list-style-type: none"> Use of incorrect final salary information and/or CARE pension account value may mean calculation of pension benefits to retirees is inaccurate leading to over- or underpayment. Delays in processing the retirement information may mean that payments to retirees may be inaccurate or delayed. Inaccurate benefit 	<ul style="list-style-type: none"> Forms are received from employers containing final pay figures to enable pensions to be calculated Calculations are reviewed to ensure that scheme rules are applied correctly Final calculations are issued within 10 working days of receipt of relevant paperwork (see finding 3) Exception reporting on pension increases proposed are reviewed before increases are approved

Area	Objective	Risks	Identified Controls
		<p>payments are made as a result of draft information being used in benefit calculations</p> <ul style="list-style-type: none"> • Inaccurate calculations of annual increases of pensions in payment are not detected leading to over- or underpayment. 	
Administration – scheme record keeping <u>Transfers in/out</u>	Transfers in and out of the pension scheme are processed accurately and in a timely manner.	Transfers may not be processed accurately and on a timely basis, leading to complaints from scheme members and/or inaccuracies in the financial records maintained by the fund if: <ul style="list-style-type: none"> • Insufficient information is not received/provided in a timely manner to support the transfer leading to inaccuracies in member records; and • Inaccurate calculations to support transfers out are not identified and resolved. 	<ul style="list-style-type: none"> • Data is requested to support transfers in using a standard template to enable the scheme to receive sufficient information to provide an indication of the size of benefits to members transferring into the scheme • Transfer value received and information is used to calculate the value of benefits transferred in • Transfer out calculations are reviewed before these are issued to ensure they are accurate (see finding 7)
Administration – providing information to members	Accurate annual benefit statements are provided annually in line with scheme requirements.	Scheme members may not receive accurate information regarding their pension in a timely manner resulting in service user dissatisfaction if: <ul style="list-style-type: none"> • Officers are not aware of scheme requirements in relation to annual benefit statements; • Responsibility for producing annual benefit statements is 	<ul style="list-style-type: none"> • There is an annual scheme plan which sets out tasks to be completed in the period – this includes the requirement to produce annual benefit statements • Annual benefit statement preparation is assigned to an officer at CSG • A plan to collect appropriate data and load data was in place (see finding 2) • Data is taken from annual returns and added to CARE accounts • A sample of benefit statement calculations are reviewed to ensure accuracy before being issued (see finding 2)

Area	Objective	Risks	Identified Controls
		<ul style="list-style-type: none"> not assigned; Operational plans are not in place to ensure data required is provided in line with required timeframes; Incorrect or incomplete figures are added to or held for members career average revalued earnings pension accounts leading to inaccurate benefit calculations; Benefit statement calculations are inaccurate; Benefit statements are insufficiently detailed to allow members to identify and report errors; and Operational plans do not take account of seasonal workload fluctuations to ensure the service is sufficiently resourced at peak times. 	<ul style="list-style-type: none"> Various entitlements of members are set out on benefit statements (see finding 3) Staff are allocated to the pensions administration team during busy periods
Administration – providing information to members	Information about the scheme, such as changes to terms and conditions, are communicated to members.	<p>Scheme members may not receive accurate information regarding their pension in a timely manner resulting in service user dissatisfaction if:</p> <ul style="list-style-type: none"> Officers are not aware of scheme requirements in 	<ul style="list-style-type: none"> The service improvement plan requires that CSG produces a communication strategy (see finding 5)

Area	Objective	Risks	Identified Controls
		<p>relation to member communications;</p> <ul style="list-style-type: none"> • Responsibility for producing communications is not assigned; and • Communications sent to members are inaccurate or not made in a timely manner. 	
Administration – providing information to and receiving information from employers and other admitted bodies	Information about the scheme, such as timeliness of data returns for new joiners, retirees or other changes are communicated and a comprehensive communication plan is in place for all stakeholders	<p>Scheme employers and other admitted bodies may not be aware of data requirements and timescales resulting in employer dissatisfaction with the scheme administration, over/underpayments, inaccurate benefits statements and reputational damage to the Council if:</p> <ul style="list-style-type: none"> • Employers and other admitted bodies are not aware of scheme requirements in relation to member data; • Employers and other admitted bodies are not aware of key cut off dates for data returns (e.g. new joiners, actuarial review); and • Employers and other admitted bodies are not aware of changes 	<ul style="list-style-type: none"> • Templates are used to ensure data is provided in line with scheme requirements • Cut-off dates are communicated to employers in advance • Emails are sent to employers and payroll providers in the event of scheme changes (see finding 5)

Area	Objective	Risks	Identified Controls
		to the scheme.	
Resolving issues – resolving disputes	Scheme members are kept informed when they have raised a query.	<p>Scheme members may not receive accurate information regarding their pension in a timely manner resulting in service user dissatisfaction if:</p> <ul style="list-style-type: none"> • Communications to members are inaccurate or not made in a timely manner; • Casework processing levels are not monitored; • Queries and complaints are not processed in a timely manner ; and • Queries and complaints are not resolved accurately and in a timely manner. 	<ul style="list-style-type: none"> • Tasks relating to scheme members are actioned by CSG within 10 working days • Casework levels are reported to team leaders using a live dashboard and reported in performance reporting to the Council and the Local Pensions Board • Queries and complaints are responded to in line with contractual SLAs • Meetings are held between trade union representatives and CSG to resolve any issues raised by members
Resolving issues – breaches of law	Breaches of law are reported to regulators promptly and accurately.	<p>Breaches of law may not be reported in line with requirements resulting in regulatory action including fines and reputational damage if:</p> <ul style="list-style-type: none"> • Officers are not aware of reporting requirements; and • Reportable breaches or errors are not reported promptly to the appropriate regulator. 	<ul style="list-style-type: none"> • There is a breach of law policy for the scheme (see finding 8)

Area	Objective	Risks	Identified Controls
Governing the scheme – submitting returns	Accurate data is supplied in accordance with relevant deadlines to ensure compliance with scheme conditions.	<p>Data may not be provided in line with requirements resulting in regulatory action including fines and reputational damage if:</p> <ul style="list-style-type: none"> • Officers are not aware of scheme requirements in relation to data submissions; • Responsibility for producing the returns is not assigned; and • Operational plans are not in place to ensure data is provided in line with required timeframes. 	<ul style="list-style-type: none"> • There is an annual scheme plan which sets out tasks to be completed in the period – this includes the requirement to complete the annual return • Preparation of the annual return is assigned to an officer at CSG and is referenced in the allocation of staff.

Appendix 4 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Pensions Administration, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Specifically we will not:

- Provide assurance over controls in place around the investment of funds in relation to LGPS regulations.
- Provide assurance over controls in place around the receipt of contributions, including controls monitoring the receipt of contributions on a timely basis.
- Provide assurance over controls in place around the payment of pensioner payroll.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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	A	B	C	D	E	F	G	H	I	L	M	N
1	Area	Deliverable	Action	Sub Action	Success	Outcome	TPR Letter(s) Ref	Deliverable Date	Status			
2	Pension Fund Data	Common data tests completed and results published to LBB	Perform Common Data tests on an annual basis to assess the quality of pension data against the tPR standards	Common data testing commences	Agreed remediation plan in place to actively manage Scheme data in line with TPR requirements :	Scheme data actively monitored and demonstrated as improving in quality through the measures implemented in accordance with TPR targets	Data Control / The Position Moving Forward	30/09/2017	Complete			
3				Testing results presented to LBB	- 100% compliant against new data (post-June 2010 per TPR definition)			13/10/2017	Complete			
4					- 95% legacy data target subject to agreement with LBB (pre-June 2010 per TPR definition)			14/12/2017	In Progress	Capita: Paper shared with LBB and discussed with Natasha Edmunds on 4th December. Agreed that the CoreData Team to produce a Data follow up plan / timeline / fees document for LBB sign-off		
5		Conditional data tests complete and results published to LBB	Perform Conditional Data tests (forensic analysis of data focused on legacy data) to check the quality of key data items that are considered essential to the valuation and administration requirements. Scope of testing to be recommended by Capita in line with TPR requirements and agreed with LBB as Scheme Manager. http://www.thepensionsregulator.gov.uk/docs/improve-data-guide.pdf	Propose test scope and Project Plan to LBB	20/10/2017			Complete				
6				Test scope agreed with LBB as Scheme Manager and Project Plan signed off	14/12/2017			In Progress	Capita: Paper shared with LBB and discussed with Natasha Edmunds on 4th December. Agreed that the CoreData Team to produce a Data follow up plan / timeline / fees document for LBB sign-off			
7				Conditional testing commences	Subject to LBB Plan sign off			Subject to action above and agreement with LBB				
8				Testing results presented to LBB	28/02/2018			Subject to action above and agreement with LBB				
9				Follow up actions and corresponding timescales agreed with LBB as Scheme Manager. This will include separate discussions with LBB in respect of data pre-Capita service commencement.	TBC			Subject to action above and agreement with LBB				
10		Record Keeping Plan formally documented	Implementation of a Robust Record Keeping Plan to be in place by 31st March 2018 as stipulated in TPR correspondence of 31st October 2017.	Documented Record Keeping Plan in place	TBC			Subject to action above and agreement with LBB				
11		Data results published through Quarterly Pension report	Run analysis of actuarial valuation extract against the validation routines within the "Brain" portal	Results from upload fed into the Conditional Testing	31/10/2017			Complete				
12		Improved reporting analysis supporting ABS and valuation tasks	New field for "Barnet Employer" configured and recorded within the Harlink system	New field configured and tested on Hartlink	100% compliance by employers	Full understanding of the pension and non-pension fund commitments in relation to the individuals	Annual Benefit Statements	30/09/2017			Complete	
13				Employer payroll teams informed of the data requirement				31/10/2017			Complete	
14				Data submissions capturing new employer field				15/11/2017			Complete	
15	Year End Data Collection	Clarity around historical pension strain costs	Resolve whether pension strain contributions duplicate the payments into the pension fund to cover the deficit	• Confirm who are the individuals LBB are contributing for	Pension costs are met from the most appropriate source	30/10/2017	In Progress	Capita: Information now received from Scheme Actuary and response provided by Pensions Team on 4th December 2017. Subject to sign-off by LBB Head of Finance.				
16				• When was the contribution agreed								
17				• How long was the contribution agreed for								
18				• The age of the recipients								
19				• The actuarial assumptions in relation to the individuals (i.e. has the pension fund already taken account of these costs)								
20		ABS Payroll and Pensions process document published	Document all key processes between Payroll and Pensions that support year end data collection		Data submitted by employers will be tracked and reconciled for the generation of ABS and statements issued in accordance with statutory deadline of 31st August each year	Where employers do not submit data in accordance with the requested format or within requested timeframe the non-compliance will be published to the Council as part of monthly reporting and potentially TPR	Annual Benefit Statements	N/A	Complete			
21		Timetable for ABS process published	Specify key dates for the receipt of data from employers, the resolution of queries and the deadlines for ABS production					N/A	Complete			
22		Compliance notification published to LBB	Notify HR and LBB of final position regarding employer compliance and highlight any requirement to report to tPR	Update for LBB				31/07/2017	Complete			
23				Progress on O/S queries and impact				11/08/2017	Complete			
24		Valuation schedule published	Breakdown of key activities in preparation for 2019 triennial valuation	Activities Published	LBB informed of progress against		N/A	Complete				

	A	B	C	D	E	F	G	H	I	L	M	N
25		Valuation activities monitored through quarterly meetings	Inform LBB of progress against valuation schedule		schedule as part of monthly governance reporting (noting the valuation occurs every 3 years)	timely and effective planning to support next Scheme Valuation	Data Control	15/09/2017	Complete			
26	Governance	Publication of Pension Fund Strategy	To implement a robust Fund Administration Strategy that sets out the standards that the administration will be measured against and can be presented to tPR as making reasonable endeavours		Agreed strategy in place that is approved annually by the Pensions Board and being complied with			11/09/2017	Complete			
27		Publication of Risk Register	To agree a Fund Administration Risk Register that will be reviewed at all future Local Pension Board meeting as a standing agenda item		Risks managed and effectively mitigated through a controlled process and visible to all parties as a standard Agenda Item at Pensions Board Meetings. No regulatory intervention / censure against the Scheme		Risk Management	15/09/2017	Complete			
28		Standard reporting format agreed and in use	To finalise content and format of Capita Administration Reports to be presented at all Local Pension Board Meetings. This will be aligned to overriding Administration Strategy	Glossary of terms relating to the terminology in the reported statistics to form standard part of the report	Timely reporting produced and published at agreed intervals			10/08/2017	Complete			
29		Event dates published	Dates for scheduled meetings to be circulated with details of the deadlines for submitting papers and reports		Visibility of the event schedule for all parties and all papers submitted on time to correct attendees			N/A	Complete			
30		SLA agreed and results published through monthly reporting	To implement a detailed schedule of services that outlines the proposed SLA/KPI for each member transaction that will form the basis of how the administration is measured and will be included in the reports to the Boards * Contractual review required regarding KPI agreement		Service meets the agreed SLA targets			30/09/2017	Complete			
31		Monitoring through quarterly reporting	Publish a detailed Scheme Year Calendar that highlights the activities that are over and above member servicing; indicating when these are scheduled to be started and completed and any associated legislative deadlines		LBB have oversight of Scheme Event schedule. This to be published annually to the Pensions Board with updates provided as part of quarterly reporting to demonstrate adherence		Scheme Return	N/A	Complete			
32		Monitoring through quarterly reporting	Progress against the milestones in the Scheme Year Planner will be included in performance reports to be reviewed at future governance meetings and associated RAG status applied		LBB informed of progress against scheme planner and all statutory / regulatory deadlines achieved			N/A	Complete			
33		Governance structure agreed and published	To implement an effective structure that fully supports the proposed governance arrangements and ensures that there is adequate support available to all stakeholders , with clearly defined roles and responsibilities to demonstrate that those responsible are suitably qualified/experienced in their roles		All parties clear of their role and responsibilities for the management of the Scheme and have signed agreement to acknowledge their roles and responsibilities			10/11/2017	In Progress	Capita: Discussed with Natasha Edmunds on 4th December and action to remain open until wider governance structure across LBB fully agreed and Signed-off		
34		Joint Event Plan Published	Finance and Pensions to draw up a joint event plan and RAG status reporting		All parties clear of their role and responsibilities and all statutory / regulatory deadlines achieved		Scheme Return	30/09/2017	Complete			
35	Complaints Handling	Complaints Handling Process and monitoring in place and published through monthly reporting	Communicate informal and formal complaints procedure to LBB	Publish details on local LBB intranet	Members have clear and easy access to complaints procedures when they it			13/10/2017	Complete			
36			Provide visibility to LBB around member complaints and action taken to complete	Publish details through monthly / quarterly reporting	Visibility on the management and resolution of complaints through quarterly governance reporting			30/09/2017	Complete			
37		Audit assurance achieved	Work with internal and external auditors to meet requirements of scheduled reviews	Ensure provision of information requests is provided to auditors on a prompt and timely basis in line with requested timescales	Assurance met by the pension service		Internal Controls	31/10/2017	Complete			
38				Ensure any agreed remedial actions are formally tracked, completed in line with agreed timescales and visibility through monthly / quarterly reporting				31/12/2107	Ongoing			
39		Define and agree responsibilities	in accordance with tPR recommendations- http://www.thepensionsregulator.gov.uk/public-service-schemes/roles-and-responsibilities.aspx	agree accountabilities / individuals where appropriate and role of Scheme Manager and Administrator and governance structures agreed and published	All parties clear of their role and responsibilities for the management of the Scheme and have signed agreement			25/10/2017	Complete			
40		Monthly Governance meetings to have a documented TOR and accompanying meeting minutes	Terms of Reference for monthly governance meetings to be fully documented, including meetings minuted each month as stipulated in response to tPR letter of 31st October 2017.	Documented Terms of Reference in place / meetings minuted	All parties clear of their role and responsibilities and robust record keeping for the Scheme		The Position Moving Forward	15/12/2017	In Progress			

	A	B	C	D	E	F	G	H	I	L	M	N	
41		Documented process in place for handling and management of tPR related correspondence	Documented process in place between LBB / Capita regarding roles and responsibilities and associated control measures in place to ensure timely and quality responses to any tPR related correspondence. This will include associated sign-off processes.	Agreed procedure in place	All parties clear of their role and responsibilities for the management of the Scheme and have signed agreement			08/12/2017	In Progress				
42	Stakeholder Engagement	Communication strategy devised and implemented	Implement a comprehensive communication strategy. This should involve producing annual newsletters / communications to active and pensioner members to keep them informed of any emerging issues or developments with the LGPS that they would need to be aware of. Consider preferred channel of communication depending on the audience; targeting key events in the Scheme Year Calendar that have specific relevance to certain member categories. Engagement with Trade Unions to be formally captured and agreed.	Proposed scope / Project Plan shared with LBB covering core member and scheme communication requirements in line with TPR Code of Practice	Active communication with Scheme members			31/10/2017	Complete				
43				Scope agreed with LBB as Scheme Manager and signed off including corresponding timescales				14/12/2017	Subject to action above and agreement with LBB				
44				Employer Forum dates scheduled and delivered during 2018				As per Communications Strategy	Subject to action above and agreement with LBB				
45		Employer Forums Scheduled (Jan-Mar 2018)	Arrange Employer Forums, at intervals agreed with LBB as Scheme Manager to provide employers with the opportunity to share any concerns with regard to the administration of the Pension Fund before they escalate into complaints	Captured as part of above with visibility published via Scheme Year Calendar	Scheme employers are updated and informed and have a feedback mechanism. Results / potential process improvements to be reported via governance reporting to LBB	Effective stakeholder engagement with employers / Trade Union		As per Communications Strategy	Subject to action above and agreement with LBB				
46		Communication and training delivered to employer payroll teams	Implement a FAQ with payroll teams for Barnet members giving guidance on data submissions ensuring associated terminology is understood. This will be facilitated through the Employer Forum.	Captured as part of above with visibility published via Scheme Year Calendar	Improved and timely data collections resulting in reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)			As per Communications Strategy	Subject to action above and agreement with LBB				
47		Trade Union action log	Following a meeting with the TU an action log of queries have been raised. These need to be addressed and actively resolved and review any implications to the wider membership, and results provided to LBB. Wider engagement to be reflected within Communications strategy.	Agree regular meetings between HR / Pensions Team with the TU to follow up	All cases managed and feedback from the Union that they are happy with results			25/10/2017	Complete				
48				Union Actions Log to be provided to Strategic HR Lead at monthly intervals				27/10/2017	Complete				
49	Operational Performance	Team structure in place to meet service delivery requirements	Implement a robust team structure in Darlington that: Makes full use of capacity planning MI in order to deal with unexpected increases in workload more effectively; Ensures that there is increased investment in staff training and development to eliminate any key man dependencies and improve the quality of service to members and employers	New team structure in place	Reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)	Improved member experience in accordance with SLA standards	Contract Management	31/07/2017	Complete				
50		Training plans published to pension team	Training plans in place across the team structure including technical training	Individual training plans finalised and communicated to staff	Reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)			31/08/2017	Complete				
51		Training complete	Complete training schedule for all team members	Training booked and rolled out to staff	Reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)			31/12/2017	In Progress				
52		Internal control process documented and published	Implement peer review and appropriate control measures to ensure correct information is given to members and Barnet managers in relation to pension calculations		Reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)			13/10/2017	Complete				
53		3rd party case management monitored and results published through Quarterly reporting	Review all 3rd party cases outstanding and ensure procedures are in place to effectively manage to reduce current and aged workload		3rd party caseload being actively managed and providing detailed reasoning where cases exceed 6 months		Contract Management	13/10/2017	Complete				
54		Enhanced control process implemented to mitigate the risk of LBB member correspondence being issued on incorrect letter headed paper by the Pensions Team	A formal review completed and revised control processes implemented within the Pensions Operations Team / Business Support areas in Darlington	Investigate root cause and ensure corrective control actions are implemented across the Darlington site, population identified and apology letters issued	No further occurrence or issues raised with the Union			08/12/2017	In Progress				
55													

Service Rectification Programme: Agreed Outcomes Measure Reporting

Outcome Measure	Source of Data	September	October
SLA Performance	Monthly Service Reporting	93.51%	94.29%
Reduced Complaints	Monthly Service Reporting	3	1
First Time Resolution (Quality)	Monthly Service Reporting	91.60%	91.60%
Scheme Events (RAG)	Monthly Service Reporting	Green	Green
TPR Assurance	Monthly Service Reporting	N/A	N/A

November	December	January	February

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Risk ID	Short Risk Title	Long Description	Risk Owner	Nature of Risk	Controls/Mitigations in Place	Residual Risk (with controls in place)			Target Risk		Response Option
						Impact	Likelihood	Risk Score	Impact	Likelihood	
		High level joint risks (4)									
		Customer and Support Group (3)									
CSG56	Pension scheme member data inaccurate	The pension service is responsible for effective administration of the Barnet Pension Scheme. Incomplete and / or inaccurate data could lead to incorrect benefits and calculation results. The pension regulations require all pension schemes to maintain accurate data.	Strategic HR lead	Information governance	Service Improvement Plan is in place with the following specific actions relating to data quality: Common data cleanse for current and legacy member data. Conditional data analysis and data cleanse of current and legacy data. Implementation of an ongoing record keeping plan. Monitor Pension service improvement plans monthly basis and scrutiny by the pension board on a quarterly basis.	4	4	16	2	2	Treat
CSG57	Pension administration getting accurate data	If employers and admitted bodies fail to notify the pension scheme of changes in their workforce in a timely way member data could be inaccurate ultimately resulting in a breach of law.	Strategic HR lead	Information governance	A service improvement plan is in place with the following specific actions: Communication strategy to ensure employers and admitted bodies are fully aware of their responsibilities for informing the scheme of workforce changes, the timescales for notification and the penalties that can be applied by the scheme for failure to comply.	4	4	16	2	2	Treat

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	AGENDA ITEM 8
	Local Pension Board
	14th February 2018
	Barnet Council Pension Fund – Review of Funding and Contribution Setting Processes
Title	Interim Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Presentation from Hymans Robertson (to follow).
Officer Contact Details	George Bruce, Head of Treasury, CSG george.bruce@barnet.gov.uk - 0208 359 7126

Summary

Part of the role of the Local Pension Board is to:

- assist the administering authority to secure compliance with legislation and regulations,
- ensure strategies and policies are in place and maintained in line with regulations

One of the key regulations governing the Pension Fund is the Local Government Pension Scheme Regulations 2013. This report sets out the requirements of the regulations and associated CIPFA guidance in respect of funding the pension fund. There is a separate note from Hymans Robertson describing the processes and modelling undertaken to advise the Pension Fund Committee on funding policy and determine the contributions payable by each employer.

The report is designed to demonstrate to the Board that the governance arrangements in connection with the setting and implementation of funding policy are satisfactory.

Recommendations

The Local Pension Board is invited to review the report and identify any recommendations or questions it wishes to direct to the Pension Fund Committee.

1. WHY THIS REPORT IS NEEDED

- 1.1 Part of the role of the Local Pension Board is to (a) assist the administering authority to secure compliance with legislation and regulations, and (b) ensure strategies and policies (including the Funding Strategy Statement) are in place and maintained in line with regulations. One of the key regulations governing the Pension Fund is the Local Government Pension Scheme Regulations 2013. This report sets out the requirements of the regulations and CIPFA guidance and reviews the processes in place for the LB Barnet Pension Fund to ensure that the fund has sufficient assets to meet pension liabilities in the long term. This is the main, or one of the main, responsibilities of the administering authority
- 1.2 The purpose of the paper is to enable the Board to determine if the processes in place meet the requirements of regulations and guidance.
- 1.3 The responsibility to manage the process of ensuring the scheme is adequately funded is shared between the Pension Fund Committee and the appointed Scheme Actuary, with the Local Pension Board having oversight of compliance with regulations and guidance. The Pension Fund Committee's role is primarily the development of a Funding Strategy Statement that sets the framework for the actuarial valuations. The Actuary then applies the FSS framework to place a value on the liabilities and determine the contribution rates for each employer.
- 1.4 Taking a step back, there are two sources of income to the pension fund – investment returns and contributions. Employees' contribution rates are determined by Regulations, with employers' contributions set locally by the Actuary in accordance with the Funding Strategy Statement. The Pension Fund Committee must therefore consider funding issues when determining investment strategy and vice versa. In reality, the Actuary will make assumptions concerning investment policy and investment returns at each triennial valuation when setting employers' contribution rates.
- 1.5 This agenda item is split into (1) a discussion below on the regulations and guidance impacting on funding policy and a (2) a presentation by the Actuary on the practicalities of developing the FSS and the schedule of contributions (the Rates and Adjustment Schedule) at each triennial valuation. It is suggested that the Board compare the requirements of the regulations below with the practices adopted for the Barnet Fund as discussed by the Actuary. The paper also briefly mentions the funding position of Barnet and comparisons with other Local Authorities' Pension Funds, although that is a historical outcome and less important than the future plan to ensure that the scheme is robustly funded.

Regulations and Guidance

- 1.6 The Regulatory guidance concerning funding is set out in the Local Government Pension Scheme Regulations 2013 as follows:
“Funding strategy statement

58.—(1) An administering authority must, after consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.

(2) The statement must be published no later than 31st March 2015.

(3) The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

(4) In preparing, maintaining and reviewing the statement, the administering authority must have regard to—

(a) the guidance set out in the document published in October 2012 [updated September 2016] by CIPFA, the Chartered Institute of Public Finance and Accountancy, and called “Preparing and Maintaining a Funding Strategy Statement in the LGPS”; and

(b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.”

1.7 The key element above is the requirement to follow CIPFA guidance. The introduction to the CIPFA guidance states that the purpose of the FSS is to document the processes by which the administering authority:

- establishes a clear and transparent fund-specific strategy that will identify how employers’ pension liabilities are best met going forward,
- supports the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013,
- ensures that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund are met, and
- takes a prudent longer-term view of funding those liabilities.

1.8 The above is somewhat technical and is rephrased by CIPFA as:

- manage employers’ liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due,
- enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk appetite of the administering authority and employers alike, and
- seek returns on investment within reasonable risk parameters.

1.9 Two of the terms above are worth exploring as they are somewhat subjective:

- Solvency
- Long term cost efficiency

Solvency

1.10 Solvency is concerned with having sufficient assets in the long term to meet the liabilities as they fall due for payment. There are several factors that need to be considered when gauging solvency:

- The quantum and timing of future benefit cashflows.
- The returns from the scheme investments.
- The potential variability of pension promises and investment returns in different economic and other scenarios.
- The ability of employers to pay the potential range of contributions.

1.11 As the future is uncertain the amount of assets required to pay benefits can only be estimated. The greater the degree of conservatism (prudence) built into assumptions on the future, the higher the value placed on future liabilities. Similarly, when there is a current shortfall in funding (as is the case at present) there is a choice between allowing the deficit to be recovered over a longer period (thereby maintaining stability of contributions) or demanding payment within a shorter period thereby minimising long term payment issues but potentially triggering unpayable short-term liabilities. An important component in this determination is the monitoring of each employer's ability to pay contributions and the protections built into the admission agreement e.g. bonds and guarantors.

1.12 The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such level as to ensure that the scheme's liabilities can be met as they arise". It is not a requirement that the pension fund will be 100% funded at all times. Rather, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- The rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate period and using appropriate actuarial assumptions; and either
- Employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- There is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

1.13 There are no hard and fast rules, rather an expectation that over time and given stable market conditions, administering authorities should aim to reduce deficit recovery periods.

1.14 The notes to the Public Service Pensions Act 2013 state:

- Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.
 - The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.
- 1.15 The first part, sufficient provision for current cost accrual, is clear and reflected in the primary rate set by the Actuary. The second element, appropriate adjustment, is less clear and is based on a comparison of the value of the deficit and the deficit payments; deficits accrue an interest charge and longer repayment periods incur a higher interest cost and are deemed less efficient.
- 1.16 In assessing whether the above condition is met, the Government Actuary's Department (GAD) may have regard to the following considerations:
- the implied average deficit recovery period,
 - the investment return required to achieve full funding over different periods, e.g. the recovery period,
 - if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future, and
 - the extent to which the required investment return above is less than the administering authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate.
- 1.17 A deficit recovery period of over 20 years as at March 2016 was considered both inefficient and unlikely to ensure solvency. There is an expectation by GAD that at each triennial valuation the target deficit recovery period will be reduced by at least three years.

Solvency of Non-Local Authority Employers

- 1.18 As noted above, the ability of employers to pay contributions, in particular deficit contributions, is an important consideration in ensuring solvency. An employer who is unable to pay their debts can leave a deficit in the fund that must be shared with other employers. Available forms of protection include:
- The use of stronger actuarial assumptions for weaker employers.
 - The existence of a bond or guarantee.
 - The responsibility of the ceding employer to meet any liabilities.
- 1.19 It is anticipated that for the 2019 valuation, a financial analysis will be undertaken for each employer and the results discussed with the Actuary and used to tailor deficit recovery periods and possibly target solvency levels or the prudence of the assumptions. Consideration has not been given to tailoring investment strategy to the needs of individual employers.
- 1.20 Neither the LGPS Regulations nor this guidance seeks to prescribe an optimum funding target or period for securing full funding. Rather, the emphasis is on:

- the need to avoid short-term horizons;
- the need for employers' contributions recommended and paid to be set at a level to ensure [vaguely defined] solvency and long-term cost efficiency;
- the desirability for primary contributions to be as stable as possible;
- the need to monitor the quality of the employer covenant; and
- inter fund comparisons being used to challenge those funds deemed less prudent

Barnet's Funding Level

- 1.21 The last triennial actuarial valuation was undertaken by Hymans Robertson as at March 2016. The results are shown in the table below

	31-Mar-13 £'m	31-Mar-16 £'m	30-Sep-17 £'m
Assets	789	916	1,070
Liabilities	1,000	1,256	1,469
Deficit	<u>-211</u>	<u>-339</u>	<u>-399</u>
Funding level	79%	73%	73%
Scheme wide employers' Contribution rate			
Primary	13.0%	17.9%	
Secondary	11.0%	8.5%	
Total	<u>24.0%</u>	<u>26.4%</u>	

- 1.22 Despite strong asset growth between March 2013 and today, the deficit has grown in monetary terms as the value placed on the liabilities has increased. This is primarily a function of reductions on the assumed return on investments, as is explained in the Actuary's presentation. Changing actuary to Hymans Robertson prior to the 2016 valuation resulted in a strengthening of the valuation assumptions compared with 2013.
- 1.23 Employers collectively are paying secondary (deficit) contributions of £13.4 million in 2017/18 increasing to £16 million for 2019/20.

Government Actuary's Department – Section 13 Valuations

- 1.24 Under Section 13(4)(c) of the Public Service Pensions Act 2013, the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions (cumulative for all employers) to the pension fund is set at an appropriate level to ensure the solvency of the pension fund and long-term cost efficiency of the scheme.

- 1.25 GAD undertook a 'dry run' of this exercise as at March 2013. The results for the 2016 valuation are expected sometime in 2018. The 2013 results were grouped by actuarial firm (four firms are used by local authorities in England and Wales). The results of the comparisons indicated that the degree of prudence incorporated by Barnet's then actuary was lower than for the current actuary.
- 1.26 A number of statistics are calculated by GAD. Perhaps the most telling is that the table comparing funding levels on the basis adopted by individual schemes with that on a standardised basis. On the scheme basis Barnet has the 39th highest funding level out of 90 schemes. On a standardised basis, Barnet is 81st out of 90 schemes; although the standardised funding level remains 79% (other funds have seen their funding level improve on the standardised basis). Four funds (not Barnet) were highlighted as worthy of further investigation by GAD.
- 1.27 Although these comparisons indicate that the Barnet Pension Fund had a weaker funding position than most other Local Authorities on a standardised basis as at March 2013, the subsequent appointment of Hymans Robertson has introduced a greater degree of prudence into the actuarial process and the setting of contribution rates.
- 1.28 Interesting, GAD is less concerned with the actual funding level rather (1) that primary contributions prudently cover future service costs, and (2) that the contribution plans will realistically eliminate the deficit over an acceptable period.

Conclusion

- 1.29 Actuarial valuations and the process for setting contribution rates are wholly dependent on assumptions for the future such as asset returns, life expectancy and future salary and pension increases. Although there is much guidance as set out above as to how the Actuary and the Pension Fund Committee should apply their professional judgment there remains considerable uncertainty and outcomes will differ from expectations.
- 1.30 Judging the reasonableness of funding plans in place is not a matter of looking at the current funding level, but rather the prudence built into the future plans.
- 1.31 The presentation from Hymans Robertson will demonstrate the way the Actuary applies regulations and guidance to develop a prudent and affordable funding plan for the Barnet employers.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The LGPS Regulations 2013 are an important part of the regulatory environment for pension schemes. Ensuring compliance and reviewing compliance monitoring procedures falls within the remit of the Local Pension Board.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The various alternatives are discussed in the paper and the Hymans Robertson modelling.

4. POST DECISION IMPLEMENTATION

- 4.1 Recommendations and comments will be forwarded to the Pension Fund Committee.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The Council (and other employers) are currently required to make additional contributions to achieve the target funding level of full funding. The discussions in the paper do not entail any changes in financial commitments to the Pension Scheme.

5.3 Social Value

- 5.3.1 The Public Services (Social Value) Act came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.
- 5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.
- 5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
- 5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme (Amendment) Regulations 2015 require the Council to establish a Local Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pensions Regulator's Code of Practice.
- 5.4.2 This paper considers the governance arrangement of the LGPS that form part of the remit of the Local Pension Board.

5.5 Risk Management

- 5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 Good governance is essential to ensuring that risks are identified and managed.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund’s managers will benefit everyone who contributes to the fund.

5.7 Consultation and Engagement

- 5.7.1 Where relevant, consultation and engagement is discussed in the paper.

5.8 Insight

- 5.8.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Links to:

The LGPS Regulations 2013

<https://www.lgpsregs.org/schemeregls/lgpsregs2013/timeline.php>

	AGENDA ITEM 9
	Local Pension Board
	14th February 2018
	Title Review of Pension Scheme Funding Risks
	Report of Interim Director of Finance
	Wards n/a
	Status Public
	Urgent No
	Key No
	Enclosures Appendix A – Funding risk register
	Officer Contact Details George Bruce, Head of Treasury, CSG george.bruce@barnet.gov.uk - 0208 359 7126

Summary

Part of the role of the Local Pension Board is to ensure the effective and efficient governance and administration of the Pension Scheme.

The report considers the section of the risk register relating to scheme funding and discusses the procedures in place to manage these risks and the residual risk being carried by the Fund and employers.

Recommendations

The Local Pension Board is invited to review the report and identify any recommendations or questions it wishes to direct to the Pension Committee.

1. WHY THIS REPORT IS NEEDED

- 1.1 Part of the role of the Local Pension Board is to ensure the effective and efficient governance and administration of the Pension Scheme. This report reviews the procedures in place for managing funding risk and the residual risk that is carried by the fund and the contributing employers. It is intended that each

section of the risk register will be reviewed periodically by the Local Pension Board.

- 1.2 The format of the risk register follows the LB Barnet approach, in which impact and probability are rated 1-4 as being:
 - 4 = major / likely
 - 3 = medium / possible
 - 2 = small / unlikely
 - 1 = trivial i.e. fully mitigated
- 1.3 Risks are mainly considered at a monetary level. However, risks can also be reputational or create inconvenience to employers and scheme members. When considering funding, the risks are normally considered in a monetary context.
- 1.4 The one obvious omission from the risk register is defining the various risk ratings. For example, what is a major impact on investments? Is it £10 million, £100 million etc? Similarly, when rating probabilities there are no criteria for rating a probability as major, medium etc. The Pension Fund Committee is due to review the risk register during 2018 and will be asked to quantify risk ratings.
- 1.5 The management of each of the three funding risks is reviewed below.

Effect of possible increase in employers' contribution rate on service delivery and affordability for scheme employers

- 1.6 The employers' contribution rates are reviewed at each triennial valuation. The contribution rate comprises two elements – a primary rate to cover future service and a secondary rate when there is a past service deficit (or a desire to increase the prudence when calculating past service liabilities).
- 1.7 In theory, the extent to which the scheme actuary can alter the contribution rate at each triennial valuation is unlimited as solvency and cost efficiency are given greater prominence in the 2013 LGPS Regulations and CIPFA guidance than stability of contributions. In practice, the Scheme Actuary will seek to take a long-term view of funding and provided it is consistent with solvency and cost efficiency will seek to make any changes gradually. For example, following the 2016 valuation, the Actuary agreed that the Council's contribution rate could remain unchanged for 2017/18 and increase by 1% p.a. for the next two years.
- 1.8 Each employer has individual contribution rates. Non-Council employers are seen as having a higher risk of failure than the Council and therefore the Actuary has less scope to stabilise contributions levels. The administering authority can assist the Actuary by carrying out credit assessment on each employer that can be used to determine the tolerance to changes in the contribution rate. This is an area that will receive greater attention at the 2019 triennial valuation.
- 1.9 Input from employers on funding issues and their attitude to risk in the pension fund is achieved through consultation on the drafting of the Funding Strategy

Statement and the discussion of the triennial results. The Actuary and the Pension Fund Committee will take into consideration representations from employers before finalising the contribution schedule.

Significant reduction in funding level following the triennial actuarial valuation

- 1.10 As discussed above, each employer's contribution rate is re-assessed by the Actuary at triennial valuations.
- 1.11 The administering authority and employers have some control over the factors that influence actuarial results such as salary changes and investment returns (through the ability to set investment strategy) and can seek ways to protect other elements – life expectancy, inflation and gilt yields. Local authority pension funds tend not to 'hedge' liabilities as they take a 'long-term' approach to funding and investment returns.
- 1.12 The Pension Fund Committee has developed an investment strategy with a focus on efficiently generating a return that will not require significant increases in contribution rates in the short term and with the volatility of future funding levels taken into consideration.
- 1.13 The Committee's focus is less concerned with managing the volatility of the funding level than targeting full funding long term and through contribution stability reducing the short-term impact of funding volatility.

Strength of covenant of new employer / risk of financial loss to the Pension Fund

- 1.14 This risk is concerned with the impact of employer insolvency on the pension fund and other employers. An employer's failure can be unrelated to the contributions demanded by the pension fund or may be triggered by a significant increase in the contributions demanded. The pension fund and other employers are protected through the provisions of the admission agreement such as a bond or guarantee and the ceding employer's (the party that awards the contract, normally LB Barnet) indemnity.
- 1.15 Other protections available to the pension fund and actuary are to utilise greater prudence in the actuarial assumptions e.g. deficit recovery periods. Should an employer fail, the assets and liabilities will be consolidated with those of the ceding employer.
- 1.16 There is one group of employers for which there is no bond; academies. This is because the Department for Education has provided a guarantee for LGPS administering authorities that, should an academy close, any outstanding LGPS liabilities that arise will not fall back on the fund.
- 1.17 As mentioned above, greater attention will be devoted to the strength of the employer's covenant to the pension fund at the 2019 triennial valuation.

Conclusion

- 1.18 The procedures in place to mitigate the impact of changes in funding level or the cost of future service are focused on managing the timing of contribution changes rather than limiting the extent of possible change. The need to return the pension fund to a fully funded state and to keep cost low receives greater prominence than stability of funding and contributions.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Local Pensions Board's terms of reference include ensuring the effective and efficient governance and administration of the Pension Scheme.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The paper discusses the mitigating actions in place. The Board is able to comment on any aspect of the risk register.

4. POST DECISION IMPLEMENTATION

- 4.1 Recommendations and comments will be forwarded to the Pension Fund Committee.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 Changes to contribution rates impact on all employers participating in the fund, including the Council's general fund.

5.3 Social Value

- 5.3.1 The Public Services (Social Value) Act came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

- 5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

- 5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider

market or community to design better services, often finding new and innovative solutions to difficult problems.

- 5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme Regulations 2015 require the Council to establish a Local Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pensions Regulator's Code of Practice.

5.5 Risk Management

- 5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

- 5.5.2 The paper is concerned with managing the funding risks faced by the Fund.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 Consultation and Engagement

- 5.7.1 Where relevant, consultation and engagement is discussed in the paper.

5.8 Insight

- 5.8.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Funding Strategy Statement - see Board papers September 2017 (page 33)
- 6.2 Triennial valuation report as at 31st March 2016 - see
<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=8837&Ver=4>

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Appendix 1

Extract from London Borough of Barnet Pension Fund Risk Register January 2018

Risk	Current Assessment				Control Actions	Risk Status	Committee Assurance (timing)	Target Assessment		
	Impact	Probability	Rating					Impact	Probability	Rating
Effect of possible increase in employer's contribution rate on service delivery and affordability for scheme employers	Major	Possible	Medium High	12	Manage impact by deficit spreading and phasing in of contributions rises. Deficit funding through monetary contributions	Tolerate	Quarterly	Major	Possible	Medium High
Significant reduction in funding level following triennial actuarial valuation	Major	Possible	Medium High	12	Triennial review of funding strategy statement investment strategy and actuarial assumptions following actuarial valuation to maximise funding levels in context of affordability to the Council and other scheme employers.	Tolerate	Actuarial valuation in March 2016	Major	Possible	Medium High
Strength of covenant of new employers /risk of financial loss to Pension Fund	Major	Unlikely	Medium High	12	Ensure Bond arrangements maintained and renewed. Pension Fund Committee monitors Admission agreements bond renewals	Treat	Quarterly	Major	Unlikely	Medium High

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AGENDA ITEM 10

Local Pension Board

14th February 2018

Title	Consultation on Governance Policy and Compliance Statement
Report of	Interim Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - Governance Compliance Statement
Officer Contact Details	George Bruce, Head of Treasury, CSG george.bruce@barnet.gov.uk - 0208 359 7126

Summary

The Council as administering authority of the Barnet Pension Fund is required by regulations and best practice to maintain, publish and comply with various statement and policy documents. One of these is the Governance Policy and Compliance Statement. This statement has been revised to incorporate the role of the Local Pension Board. In line with the LGPS Regulations 2013, the Board is being consulted on the revised draft statement.

Recommendations

That the Board reviews the draft Governance Policy and Compliance Statement. Any comments will be reported to the Pension Fund Committee prior to finalisation of the statement.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme. The Governance Policy and Compliance Statement ("the statement") is required by the LGPS Regulations 2013 in situations in which the administering authority has delegated its functions. An extract of the Regulations is appended to the draft statement. Barnet Council has delegated its functions to the Pension Fund Committee and established a Local Pension Board to assist in ensuring compliance with regulations and best practice.
- 1.2 The draft statement describes the role of the bodies or individuals with delegated powers and the manner in which these bodies function and represent the membership and employers within the fund. Attached to the draft statement is a checklist indicating the extent to which the governance arrangements of the Barnet fund comply with guidance issued by the Secretary of State for Communities and Local Government
- 1.3 The Board is invited to review the draft statement and propose amendments if considered appropriate.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Local Pension Board's terms of reference include ensuring compliance with Regulations. The statement is a regulatory requirement.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Board is able to propose alternative drafting for the statement.

4. POST DECISION IMPLEMENTATION

- 4.1 Comments from the Board will be brought to the attention of the Pension Fund Committee. The statement must be kept under review.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan 2015-2020 by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 None in the context of this report.

5.3 Social Value

- 5.3.1 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme Regulations 2015 requires the Council to establish a Local Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.
- 5.4.2 This paper considers statements required by regulation, with the details of the regulations contained within the paper.

5.5 Risk Management

- 5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.
- 5.5.2 There are both financial and reputational risks from non-compliance with regulation and best practice. The paper identifies gaps in compliance that will be addressed.

5.6 Equalities and Diversity

- 5.6.1 There are no Equalities and Diversity issues arising from this report.
- 5.6.2 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's

managers will benefit everyone who contributes to the fund.

5.7 Consultation and Engagement

- 5.7.1 When policies and statements are updated there will be full consultation with the Board and scheme employers.

5.8 Insight

- 5.8.1 The gaps in compliance with regulations together with the minimalistic approach to compliance indicate scope for improvements in Pension Fund governance.

6. BACKGROUND PAPERS

- 6.1 None

London Borough of Barnet Pension Fund

Governance Policy and Compliance Statement

This document sets out the

governance arrangements

for the

London Borough of Barnet Pension Fund

As at 31st December 2017

Governance Policy and Compliance Statement

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government.

Administering Authority

London Borough of Barnet (LBB) is the **Administering Authority** of the London Borough of Barnet Pension Fund and administers the pension fund on behalf of participating employers and scheme members.

Roles and Delegations

LBB has delegated its pension functions to the **Pension Fund Committee**.

A **Local Pension Board** has been established by LBB to assist in ensuring compliance with regulations and legislation.

LBB has delegated responsibility for the administration and financial accounting of the LB Barnet Pension fund to the **Chief Financial Officer**.

Each of these roles is discussed below.

Pension Fund Committee

Responsibilities

The responsibilities of the Pension Fund Committee as set out in the Council's constitution are:

To consider approval and act in accordance with statutory Pension Fund documents:

- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy Statement
- Pension Administration Strategy
- Communication Policy Statement

To review the above documents at least triennially, or more frequently if advised by the Chief Financial Officer of the need to do so.

To meet review and consider approval of the Pension Fund Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts

To receive and consider approval of the Pension Fund Annual Report.

To appoint independent investment advisors.

To appoint Pension Fund investment managers.

To appoint Pension Fund actuaries.

To appoint a performance management company.

To appoint custodians.

To review and challenge the Pension Fund investment managers' performance against the Investment Strategy Statement in general and investment performance benchmarks and targets in particular.

To consider actuarial valuations and their impact on the Pension Fund.

To consider for approval applications from organisations wishing to become admitted bodies into the Pension Fund where legislation provides for discretion, including the requirements for bonds.

The Pension Fund Committee oversees the management of the LB Barnet Pension Fund. Their overriding duty is to ensure the best possible outcome for the Pension Fund, its participating employers, scheme members and local taxpayers.

Their knowledge is supplemented by professional advice from Council officers, professional advisers and external experts. An ongoing programme of training is delivered to the Committee (and substitutes).

Membership

The Pension Fund Committee consists of seven councillors appointed by Full Council. The political balance of the council determines the political balance of the Committee. There are also six nominated substitutes who may attend meetings. The Committee members do not include representatives of other employers or scheme members, however the Committee may invite observers to attend and contribute at meetings.

The Chairman and Vice-Chair of the Committee are appointed by Full Council, usually via a report titled 'appointments to committee' which is submitted at the annual council meeting.

Meetings

The Pension Fund Committee meets at least four times a year. Meeting dates are published on the LBB's website as are the meeting agenda and papers. The agenda and papers are

published at least 5 working days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Chairman.

All members of the Committee have equal voting rights at meetings.

Local Pension Board

Responsibilities

The Board is responsible for assisting with:

Securing compliance with Local Government Pension Scheme (LGPS) Government regulations and any other legislation relating to the governance and administration of the LGPS

Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator.

Ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.

Such other matters that the LGPS regulations may specify.

The Board's terms of reference detail its full remit.

<http://barnet.moderngov.co.uk/mgCommitteeDetails.aspx?ID=753>

The Council has charged the Local Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision-making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities, which have been delegated by the Council to the Pension Fund Committee or otherwise, remain solely the powers and responsibilities of them.

Membership

The Board consists of seven members constituted as follows:

3 employer representatives comprising:

- 1 councillor who is not a member of the Pension Fund Committee.
- 2 employer representatives from an admitted or scheduled body

3 scheme member representatives (employee side) comprising:

- 1 active member
- 2 retired/deferred members

1 independent member/advisor having no current employment, contractual, financial or other material interest in the Council or any scheme employer fund and not being a member of the LGPS.

The Council employer representative is appointed by LBB Full Council. Other members are appointed following a public recruitment, selection and interview process. Each member is appointed for a 4 year term.

Substitute members who can attend meetings may also be appointed.

The Board members shall elect a Chairman and Vice-Chair. Should the elected Chairman be an Employer representative the Vice-Chairman must be a Scheme Member representative and vice versa.

All members of the Board are required to complete the Pension Regulator's public service toolkit. In addition, collective and bespoke training is provided based on a self-assessment of the training needs of each Board member.

Meetings

The Local Pension Board meets at least 4 times a year. Meeting dates are published on the LBB's web site as are meeting agenda and papers. The agenda and papers are published at least 5 working days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Chairman.

All members of the Committee have equal voting rights at meetings. Substitute members have no voting rights unless they are replacing an absent member.

Chief Financial Officer

The Chief Financial Officer (section 151 officer) is responsible for the preparation of the Pension Fund Annual Report and Accounts and ensuring the proper financial administration of the Fund. As appropriate, the Chief Finance Officer will delegate aspects of the role to other officers of the Council and to professional advisors within the scope of the LGPS Regulations.

Under the Council's Constitution, the Chief Financial Officer is responsible for, or responsible for delegating authority for:

Approving early payment of deferred benefits under regulation 30 of the Benefits Regulations or similar provisions in previous Regulations;

Exercising discretion on compassionate grounds not to actuarially reduce deferred benefits paid early under regulation 30 of the Benefits Regulations or similar provisions in previous Regulations;

Exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member

who wishes to pay optional contributions for a period of absence (Regulation 22 of the Administration Regulations);

Informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the 1997 Regulations);

Determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 26 of the Administration Regulations);

Determining (for Barnet Council Employees only) whether to accept any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme (Regulation 83 of the Administration Regulations);

Determining (for Barnet Council employees only) whether to accept any request for joining previous Scheme membership (either with this Employer and/or with another scheme employer) made more than 12 months after the member rejoined the Scheme (Regulation 16 of the Administration Regulations);

Exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulations 23, 32 and 35 of the Benefits Regulations);

Deciding whether to treat education or training as continuous despite a break for the purpose of determining eligibility for a child's pension (Regulation 26 of the Benefits Regulations);

Communicating with other employers that are scheduled or admitted bodies as appropriate.

Policy Documents

There are number of other documents that are relevant to the governance and management of the scheme. These are listed below and are available from Paul.Frost@barnet.gov.uk

Funding Strategy Statement
Investment Strategy Statement
Communications Policy
Discretions Policy
Administration Strategy Statement
Internal Disputes Resolution Procedure
Annual report and accounts

Compliance with guidance

The Council is required to report on compliance with guidance issued by the Secretary of State, Ministry of Housing, Communities and Local Government. The current position on compliance is set out in appendix A.

Consultation

In preparing this statement, LBB has consulted with the Local Pension Board.

Contact us

Any questions on the operation of the Pension Fund Committee or Local Pension Board should be directed to Paul Frost, telephone 02083892205, email paul.frost@barnet.gov.uk

Statement of Compliance with Guidance

Principle	Requirement	Compliance	Comment
Structure	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The decision making structure is clearly defined. Council delegates responsibility to the Pension Fund Committee, which meets quarterly. The Pension Fund Committee is assisted by the Local Pension Board in monitoring issues relating to Scheme Members.
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not Compliant	Only Councillors are members of the Pension Fund Committee. Representatives of other employers and scheme members are members of the Local Pension Board and can attend the Pension Fund Committee as observers.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	N/A	No Secondary Committee
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A	No Secondary Committee

Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-	Not compliant	Only Councillors are members of the Pension Committee. Representatives of other employers and scheme members are members of the Local Pension Board and can attend Pension Fund Committees as observers.
	<ul style="list-style-type: none"> - employing authorities including non-scheme employers e.g. admitted bodies, - scheme members (including deferred and pensioner scheme members), - independent professional observers, and - expert advisors (on an ad-hoc basis) 		
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	N/A	Only Councillors are members of the Pension Fund Committee.
Selection and role of lay members	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members of the Pension Fund Committee have access to the terms of reference and are aware of their responsibilities.
Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	All members of the Pension Fund Committee have equal voting rights.

Training / Facility / Time / Expenses	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	There is a clear policy on training. The Fund pays all approved training courses for all members. The training plan reflects the needs of the committee agenda.
	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The rules on training, facilities, time and expenses apply equally to all Committee members.
Meetings (Frequency / Quorum)	That an administering authority's main committee or committees meet at least quarterly.	Compliant	There are at least four meetings a year.
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	N/A	No Secondary Committee
	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	The Local Pension Board provides a forum for all groups of employers and scheme members.
Access	Subject to any rules in the Council's Constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.	Compliant	Committee meeting papers are circulated at the same time to all members of the Pension Fund Committee.

Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The Pension Fund Committee mainly discuss investment and funding issues but are responsible for all governance matters relating to the pension fund.
Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	The Governance Policy Compliance Statement is made available to all interested parties and is attached to the Fund's Annual Report.

Appendix B

Regulatory Framework

Extract from LGPS Regulations 2013

- (1) An administering authority must prepare a written statement setting out—
 - (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
 - (b) if the authority does so—
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
 - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
 - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).
- (2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.
- (3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.
- (4) An administering authority must publish its statement under this regulation, and any revised statement.