

Lancashire Local Pension Board

Minutes of the Meeting held on Tuesday, 20th April, 2021 at 2.00 pm in Zoom Virtual Meeting - Zoom

Present:

Chair

William Bourne

Board Members

Tony Pounder, Employer representative - LCC
County Councillor Matthew Salter, Employer representative (LCC)
Carl Gibson, Employer representative - Other Employers
Kathryn Haigh, Scheme Member representative
Yvonne Moulton, Scheme Member representative
Deborah Parker, Scheme Member representative.

Officers

Sean Greene, Head of Pension Fund, LCPF, Lancashire County Council.
Colin Smith, Technical Adviser (Pensions) LCPF, Lancashire County Council.
Mukhtar Master, Governance & Risk Officer, LCPF, Lancashire County Council.
Laura Sales, Director of Corporate Services and Monitoring Officer, Lancashire County Council
Mike Neville, Senior Democratic Services Officer, Lancashire County Council

Others

Mr K Ellard (observer).
Ms J Morville-Smith, Head of Risk and Compliance, Local Pensions Partnership Administration Ltd.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and introduced Sean Greene, the new Head of the Pension Fund who had been appointed since the last meeting. He also welcomed Mr Ellard who was attending the meeting as an observer pending his formal appointment to fill the Scheme Member representative vacancy on the Board. The Chair also acknowledged that the County Council's Monitoring Officer was also observing the meeting.

Apologies for absence were received from Mr S Thompson (Employer representative for Unitary City, Borough Councils, Police and Fire) and presented on behalf of County Councillor E Pope, the Chair of the Pension Fund Committee, who was unable to attend the meeting as an observer.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

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

3. Minutes of the Last Meeting.

An issue was raised by a Board Member in relation to comments made at the last meeting during the discussion at item 3 regarding governance and assurance which were not recorded in the Minutes. It was suggested that clarification be sought outside of the meeting regarding the omission so that an amendment could be presented to the next meeting for approval and recorded in the Minute Book.

The Chair also acknowledged that Board Members had not been given an opportunity to comment on the scope of the planned audit as reflected in the next report on the agenda.

Resolved: That the Minutes of the meeting held on the 19th January 2021 are not approved pending clarification that during the discussion of the planned audit of the Local Pensions Partnership it was highlighted that the work had arisen from a fundamental concern previously raised at the Board around governance and assurance and, whilst of some value, would not fully address the concerns raised.

4. Local Pension Partnership Administration - Audit Assurance Report

The Board discussed the update on the Local Pensions Partnership Audit Assurance Report which had been commissioned from Pricewaterhouse Coopers (PwC) by the County Council's Internal Audit team in response to the concerns raised by the Board in October 2020 around the present governance arrangements and the degree of assurance they provided. The Board had agreed that further assurance would be helpful at the 13th October 2020 meeting. Board members expressed their disappointment at not having been consulted on the scope of the audit, as agreed on the 19th January 2021, but accepted Officers' explanations that it had been missed in the transfer from the Interim to the newly appointed Head of the Pension Fund.

Board members commented that the scope of the audit presented in the report was narrower than had been intended (as it focussed on retirement, deaths and transfers out) and queried the reasoning behind the sample sizes used. They gained some comfort from a previous Head of Fund being involved in the scoping of the audit, but did not believe that the Audit Assurance Report as commissioned fully met the original objective of the Board which was to gain independent assurance over the underlying business controls behind the data presented to them in reports from Local Pensions Partnership Administration. Some concerns were raised that the scope of the report did not address the broader governance and accountability issues previously noted at the Board. It was suggested that consideration could be given in future to engaging external support to assist in reviewing governance and accountability arrangements.

The Head of Fund informed the Board that some of the concerns would be addressed in other ways, such as the Pensions Regulator's revisions of the Code of Practice governing the LGPS (which was expected to cover service level agreements and outsourcing) or the Scheme Advisory Board's Good Governance Initiative, which was expected to become a regulatory requirement in 2021 and required a biennial independent report into Fund governance.

It was noted that PwC was expected to complete the audit by the end of April and report to the Pension Fund Committee on the 18th June 2021. The Head of Fund suggested that the Board be given an opportunity to discuss any recommendations with a representative from PwC towards the end of May in order that any comments can be included in the report to Committee.

Resolved:

1. That the disappointment of the Board regarding the scoping of the audit of the Local Pensions Partnership Administration, and ongoing concerns about the implications of the lack of adequate assurance are noted.
2. That arrangements be made for Board members to review and discuss the findings of the audit with a representative from Pricewaterhouse Coopers at any early date in order that comments can be included in the subsequent report to the Pension Fund Committee on the 18th June 2021.

5. Report on the Annual Review of the Lancashire Local Pension Board

The Chair presented his report following discussions with Board members and others as part of the Annual Review of the effectiveness of the Pension Board in January 2021.

With regard to training it was noted that Officers had already determined that in view of the improved uptake the majority of future training workshops for members of the Pension Fund Committee/Pension Board would be delivered on-line with recordings available via the secure online library. As a result, the Chair proposed to replace that part of his recommendation with the suggested topics for future training set out in the body of his report.

Resolved:

1. That the continued allocation of particular areas of activity to Board members who will have lead responsibility during discussions is approved as set out in the table below.

Area	Includes	Board Members
Compliance with regulations and statutory guidance	TPR, LGPS regulations	K Haigh & Chair
Communications	Engagement, Comms policy	D Parker & C Gibson
Administration	KPIs, ABSs, admin breaches	Y Moulton & S Thompson
IT	Systems, data protection, cyber	T Pounder & M Salter
Investment policy	Investment Strategy Statement,	D Parker &

documents	actuarial report, Responsible Investment.	S Thompson
Service providers governance	LPP, custodian, audit	T Pounder & Y Moulton
Risk	Risk Register	C Gibson & Vacancy

2. That the Work Plan for the Board be updated to include time in 2021 to review the following items:
 - The format in which the Fund Risk Register is presented.
 - Continuous improvement processes at the Fund and Local Pensions Partnership Administration/Local Pensions Partnership Investments.
3. That when Covid-19 restrictions are relaxed and face-to-face Board meetings begin again, suitable facilities be put in place to enable presenters to both attend and present remotely to the Board.
4. That the following suggestions for training in 2021 are referred to the Head of Fund:
 - More detail on governance responsibilities and structures around Local Pensions Partnership Administration and Local Pensions Partnership Investment.
 - General refresh on the legal framework and requirements both for Board members and the Fund.
 - Exit payments.
 - The Board's role in assisting the Fund to mitigate ESG issues such as climate change.
 - The longer-term effects of Covid-19.
5. That existing induction training/information for newly appointed Board members is reviewed and an existing Board member be appointed to mentor all new Board appointments.
6. That Officers at the Local Pensions Partnership be asked to notify the Board of opportunities either to give presentations or to write short articles in newsletters in order to publicise the Board's role.
7. That the Key Person Dependency Risk in the Fund Risk Register be reviewed in the context of the Head of Pension Fund.
6. **2020/21 Training Record and Feedback from members of the Board on pension related training.**

Individual Board members gave feedback on their experience at different training events, the majority of which had been considered informative and useful. However, it was recognised that there had been some issues raised at the 23rd March 2021 workshop regarding communications with scheme members which the Local Pensions Partnership needed to address.

It was noted that Covid-19 had significantly impacted on the number of external training opportunities as reflected in the 2020/21 Training Record. However, when previous training records were taken as a whole there was a significant body of evidence regarding the knowledge/experience of Board members.

Resolved: That the feedback from individual Board Members on their experiences at the training events referred to in the report together with the contents of the Training Record for 2020/21, as set out in the Appendix, are noted.

7. Lancashire Local Pension Board Annual Report 2020/21

The Chair presented a report on the draft 2020/21 Annual report on the Board which highlighted key areas of activity undertaken by the Board during the previous year and included information regarding attendance at meetings, participation in training and the cost associated with the operation of the Board.

Resolved:

1. That, subject to an amendment to show Mr T Pounder as having attended the Board on 19th January 2021, the 2020/21 Annual Report of the Lancashire Local Pension Board, as set out at Appendix 'A' to the report presented, is approved.
2. That the Annual Report referred to at 1 above is recommended to the Pension Fund Committee on the 18th June 2021 for approval and inclusion in the Lancashire County Pension Fund Annual Report.

8. Regulatory Update

Mr Smith, Technical Adviser (Pensions) presented a report which updated Board members on various pension related regulatory issues. In considering the report members of the Board discussed the following and received clarification of specific questions from Mr Smith.

- Restricting exit payments in the public sector (95k Cap).
- Review of employer contributions and flexibility on exit payments and employer risk.
- Mc Cloud.
- Update on cost control mechanisms.
- Guaranteed Minimum pension Indexation – consultation response.

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

The Chair informed the Board that there would be a short refreshment break at this point in the meeting after which he would take item 10 (LCPF Breaches report) as the next item of business when an Officer from the Local Pensions Partnership Administration would join the meeting.

9. The Lancashire County Pension Fund Breaches Report Q4 2020/21

Ms Morville-Smith, Head of Risk and Compliance, dialled into the meeting to present the report and explain how Local Pensions Partnership Administration Ltd managed and recorded breaches in relation to data, Code of Practice 14 and process.

Mr Master, Governance and Risk Officer, reported that during the period 1st January 2021 to 31st March 2021 there had been no breaches in contribution payments and eight data breaches, none of which had been deemed significant enough to warrant reporting to the Information Commissioner. With regard to administration breaches it was noted that there had been one COP 14 breach and 2 process breaches, none of which considered to be material or worthy of reporting to the Pension Regulator. In all three cases corrective action had been taken to minimise future recurrence.

A Board member requested clarification in relation to the number of incidents where employers had failed to submit contribution figures in order to establish whether there was an identifiable training/education issue for certain employers.

Ms Morville-Smith informed the Board that specific training on data protection would be given to administrators aimed at minimising administration breaches in the future.

Resolved:

1. That the summary of the Lancashire County Pension Fund breaches log for the period 1st January 2021 to 31st March 2021, as set out in the report presented, is noted.
2. That the Board be provided with further details regarding the number of incidents where employers had failed to submit contribution figures in order to establish whether there was an identifiable training/education issue for certain employers.

The Chair thanked Ms Morville-Smith for her contributions to the discussion before she dialled out of the meeting.

10. Risk Register Review

Mr Master, Governance and Risk Officer, presented a report on the proposed review of the Lancashire County Pension Fund Risk Register and sought the views of Board members on various options set out in the report.

In considering the report the Board recognised the need to be clear about concerns/risks and have a Register which identified risks, specified assurance and provided details on work undertaken during each quarter in relation to risks. The Head of Fund reported that consideration was being given to using the concept of confidence and targets in the future in order clarify ownership of specific controls and individual roles in relation to risks in the Register.

Resolved:

1. That having considered the various options set out in the report presented the Board agree the following improvements to future Risk Register reporting for the Fund.

- a) The Full Register to be presented to every six months with key risk reporting every quarter.
 - b) The Governance and Risk Officer to be given discretion as to whether the register be split between Local Pensions Partnership Administration and Local Pensions Partnership Investments. However, the Board commented that all significant risks should be highlighted alongside the assurance given, any gaps in control be identified together with who has responsibility and an implementation date where gaps are identified.
 - c) 'Controls' and 'Actions' to be separated from the main Register using MSWord in order to facilitate easy management of the Register and provide change control for audit purposes.
 - d) Other improvements to include:
 - Heat maps for easy visual presentation of risks
 - Register to include 'risk symptoms' with insight on information monitoring to alert any change in the risk impact/probability, subject to the level of work being proportionate to the available resources.
 - That once closed risks are to be removed from the Register after consulting the Board.
2. That a prototype Risk Register, focussed on one area and taking account of the measures outlined in 1 above, be presented to the Board in July 2021 for further discussion.

11. Part I reports presented to the most recent Pension Fund Committee

The Board considered a report on items considered by the Pension Fund Committee on the 12th March 2021 under Part I of the agenda and discussed the following.

Lancashire County Pension Fund Investment Strategy Statement – It was noted that the Strategic Asset Allocations had been the subject of a rigorous review by the Investment Panel and responsible investment considerations taken into account. The Head of Fund confirmed that the Committee had signed off the statement which was now available to view of the new Fund website.

Lancashire County Pension Fund 2021/22 Budget – The Head of Fund reported that at the Committee it had been clarified that the deficit shown in the budget was the result of employer contribution prepayments received in 2020/21 which when reallocated to 2021/22 represented a surplus of £49m. The budget had been approved.

Lancashire County Pension Fund Strategic Plan 2021-24 – It was noted that the Plan approved by Committee included a number of key projects for 2021/22 including a Service Based Review of Investments/Administration and further work regarding the Employer Risk function and the Pension Regulator's single Code of Practice. The Head of Fund confirmed that the Board would receive updates as the projects progressed.

It was also confirmed that in accordance with the decision of the Committee employers would be consulted on the Lancashire County Pension Fund Admission and Termination Policy/Inter-valuation contributions review policy with an end date for comments in May 2021.

The improved reporting to Committee with regard to Responsible Investment was noted.

Resolved: That the reports considered by the Pension Fund Committee on the 12th March 2021 and decisions taken are noted.

12. Urgent Business

No items of urgent business were raised at this point in the meeting.

13. Date of Next Meeting

It was noted that the next scheduled meeting of the Board would be held at 2.00pm on the 6th July 2021 either remotely via Zoom or in a meeting room at County Hall, Preston.

14. Exclusion of Press and Public

Resolved: That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraphs of Part I of Schedule 12A to the Local Government Act 1972, as indicated on each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Chair briefly paused the meeting at this point while the live web stream was turned off.

15. Lancashire County Pension Fund Risk Register

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

Mr Master, Governance and Risk Officer, presented a report on the current Fund Risk Register and the specific Covid-19 Register. In considering the report the Board discussed number of matters including the following:

Additional Voluntary contribution (AVC) payments – the Head of Fund confirmed that he was due to meet with a representative from an insurance provider to discuss issues around the allocation of members' AVC contribution payments and would report back to a future meeting.

The introduction of additional measures to mitigate pension scams in the future, particularly in response to the increase in such scams during the Covid-19 pandemic. The Board also discussed historical scams and requested further information regarding numbers, the controls in place to mitigate the issue and the level of assurance regarding management of the issue.

Key Person Dependency – whilst noting that a new Head of Fund was now in post the Board considered that a risk still existed in the event that the postholder was unable to perform their role and so the risk should remain on the Register with the original score in place.

Resolved:

1. That the comments of the Board regarding the contents of the Fund Risk Register and Covid-19 Risk Register, as set out respectively at Appendices 'A' and 'B' to the report presented, are noted.
2. That reports regarding the Following matters are presented to the next meeting of the Board.
 - a) the outcome of the Head of Fund's discussion with an insurance provider in relation to issues around the allocation of members' AVC contribution payments.
 - b) details of the number of historical scams, the controls in place to mitigate the issue and the level of assurance regarding management of the issue.

16. Communications Update

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

A report was presented to update the Board on communications from both a Fund and Local Pensions Partnership Administration (LPPA) perspective.

The Board noted that the new Fund website was operational, and members of the Pension Fund Committee and Board had been given a demonstration of its functionality at a workshop on the 23rd March 2021. The Board also discussed communications between LPPA and the Fund membership which had been covered in the March workshop.

Resolved:

1. The Board are concerned about the quality and frequency of communications from Local Pensions Partnership Administration Ltd to the Fund membership.
2. The Board consider that whilst Local Pensions Partnership Administration Ltd has the capability to issue communications the Lancashire County pension Fund

Team do not have sufficient resource to provide the required content. Therefore, the Board recommend the Head of Fund to recruit an additional post of sufficient grade to the Team in order to address this issue.

17. Part II reports presented to the most recent Pension Fund Committee

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

The Head of Fund reported that the Committee had approved an extension of the term of the existing contract with the Custodian up to 15th April 2024 and that during that period there would be a full procurement exercise with regard to awarding a new contract for the provision of custodian services with effect from the expiry of the extended term.

The Board discussed the Key Performance Indicators (KPIs) for the administration service as set out in the Local Pension Partnership Strategic Update. Individual Board members commented on various aspects of the information including the breakdown of figures for individual areas and with regard to clarifying some of the information. However, there was also concern regarding transparency on the methodology used by the administration service when measuring of KPIs and it was suggested that this should be discussed further at the next meeting.

Resolved:

1. That the reports considered by the Pension Fund Committee on the 12th March 2021 under Part II of the agenda and decisions taken are noted.
2. That the Operations Director at Local Pension Partnership Administration Ltd be invited to attend the next Board meeting to discuss the methodology used when measuring Key Performance Indicators with regard to the administration service.

L Sales
Director of Corporate
Services

County Hall
Preston