

## Report on Lancashire Pension Board Appraisals

*This note summarises the main points which came out of the appraisal meetings I held with Local Pension Board (LPB) members and makes recommendations for the future. Note that I was only able to speak to seven of the eight Members.*

*William Bourne, Chair of the Local Pension Board*

*28th December 2016*

### Appraisal meetings held

Name	Representative	Day
Steve Thompson	Employers	2 <sup>nd</sup> December
Carl Gibson	Employers	2 <sup>nd</sup> December
Steve Browne	Employers	2 <sup>nd</sup> December
Yvonne Moulton	Members	13 <sup>th</sup> December
Bob Harvey	Members	13 <sup>th</sup> December
John Hall	Members	22 <sup>nd</sup> December*
Kathryn Haigh	Members	13 <sup>th</sup> December
Tony Martin	Employers	Not held

\*= by phone

### General

All Board members believe that after eighteen months the Board is beginning to find its feet, and to add value, even in the context of a generally well run Fund. There is a diverse range of views around the table, and everyone has something to contribute. The meetings are competently organised, reports are available and comprehensive, and Officers are helpful and transparent with the Board. Several members commented that in five working days it was a struggle to read the voluminous agenda packs and that, given the volume of issues, the Board should make more use of Working Parties to look at them in detail and report back at the main meetings.

The purpose of the Board is becoming clearer to members, but most felt that its role is not yet sufficiently delineated, and that it needs to get to grips with the bigger issues, most notably how LPP's activities are to be effectively scrutinised by the Pension Fund. It is to be hoped that PWC's project on governance and the Board's review of its own Terms of Reference will close this gap. There is a general view that, if the Board is to play its role fully, it will need to go beyond simply accepting the information it is presented with.

Most members commented that the material the Board receives is not always what is appropriate to fulfil its role of scrutiny. It is often not necessary to see the operational details, but the Board does require to see the evidence which is being relied on when Officers or others give us an assurance that something is compliant. Otherwise it is hard to know what's wrong and how to challenge it. A common comment was that third party or alternatively an internal audit assurance will carry considerably more weight than LPP's executives for those functions such as administration which LPP carries out for the Fund.

There was a clear concern among all members that a process whereby the Fund oversees and monitors LPP and its subsidiaries' activities has not yet been put in place. This is a role for the Pension Fund Committee in the main, but in some areas, such as remuneration, where rights are

reserved to the Administering Authority, to Lancashire County Council. Members felt strongly that as the body representing Employers and Members the Board needs to see the evidence that both the Pension Fund Committee and the Administering Authority are indeed monitoring LPP appropriately in the interest of the stakeholders. So far that has not been the case.

Most members felt the Board was sometimes faced with a decision made, with little it could do in practical terms. Going forward it is therefore suggested that in these circumstances the Board should make a formal recommendation to the relevant body, usually the Pension Fund Committee but for some items might be the Full Council, which they will be expected to respond to. The Chair is obliged under the Terms of Reference to note in his Annual Report on the Pension Board's activities both recommendations made and responses received.

One member asked whether it would make sense to merge the LPP and LPFA Pension Boards. My view is that while they have roles to assist different Scheme Managers, this would be inadvisable, though it would make sense to co-ordinate scrutiny of LPP's activities.

## **Training**

There was a general view that generally the training was for the most part delivered well and was appreciated. There was a request from some members that it could be more tailored, both in terms of timing (ie training on issues about to come before the Board) and in terms of material (Local Pension Board's needs are different from the Pension Fund Committee's). For example, it would be helpful to highlight which of the material provided on the Pensions Library is most relevant to Board members, and where to go for further reading.

One member suggested training on the Board's legal responsibilities.

## **Topics for 2017**

A common theme was to provide suggestions how the Fund can provide better support to members and employers. While it was noted that the Fund put considerably more effort in this area than many other funds, Board members felt that there were still significant improvements to be made, especially in the area of helping to engage members through their employers. For example, would it make sense to run a second conference for small employers, whose engagement is often a lot less than large ones?

A second suggestion was to look at the internal audit of YPS, and this may well gel with LPP's plans to restructure the combined administration function.

## **Recommendations**

### **Training**

1. An attempt be made to customise future training to the LPB's particular needs, and in particular presenters be asked to be thoughtful about the hard copy material used.

### **Local Pension Board operation**

2. Review Terms of Reference and also the list of reports which we see for their relevance.

3. Make more use of Working Parties
4. Create Work Schedule for the next four meetings out to January 2018
5. LPB should formulate its concerns as comments when considering a report or a policy document before approval by the PFC, or alternatively as recommendations, which will require a response from the LPFA under CIPFA guidelines, when considering a report or policy document after approval.

### **2017 Agenda**

6. The LPB would like to see a comprehensive governance structure covering LPP put in place as a matter of priority, including the processes which the Pension Fund Committee and Lancashire County Council are using to monitor and oversee LPP's activities.
7. Time should be set aside within the 2017 Work Plan to look at:
  - a. How the Fund can provide better support for employers and members
  - b. The planned restructuring of the Administration function, and how LPB Members can use their perspectives to feed into that.