

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 Officers and makes recommendations for the future. Note that there are two vacancies, and I therefore spoke to six Board members.

William Bourne, Chair of the Local Pension Board

8th February 2018

Appraisal meetings held

Name	Representative	Date
Steve Thompson	Employers	17 th January
Carl Gibson	Employers	17 th January
Yvonne Moulton	Members	17 th January
Bob Harvey	Members	16 th January
Kathryn Haigh	Members	17 th January
Christian Wakeford	Employers	16 th January
Abigail Leech	Officer	16 th January
Mike Neville	Officer	17 th January

General

Twelve months ago my review focused on how to make the Board add value more effectively. We decided to scrutinise through assurance reports and agreed on ways to influence the Pension Committee when we felt it was necessary. There is general agreement today that the Board operates in a more structured way with a detailed Work Plan, that it works as a unit, that the reports provided to it by Officers usually strike the right balance of detail, and that it has therefore been more effective in performing its duties. One member commented that it was beginning collectively to understand what is needed to be effective as a governance body.

A number of members commented, as last year, that the volume of reports (eg. 166pp for the Board's own pack and 228pp for the PFC papers for the 16/01/18 meeting) and the short timescale to read them is an issue. I am told there is an LCC wide initiative to try to reduce the paper produced and additionally the suggestion was made that each member of the Board should be allocated specific areas of expertise, where they would be expected to lead discussions. This would have the benefit of utilising members' specific knowledge and also of helping members to learn more about particular areas. However, it is important to note that it would not remove the responsibility for members to make themselves familiar with the main issues in all areas.

Last year I noted Board members' concern about the lack of processes to monitor LPP's activities, with the exception of investments. Twelve months later there has been significant work done on governance processes but there is still a grey area caused by the fact that the pension fund is a client of LPP while, at the same time, Lancashire County Council is a shareholder. The LPB's role should focus on governance in respect of the client relationship by holding the PFC to account. However, in practice the PFC also has responsibility for some aspects of the shareholder relationship, which are outside the LPB's remit, and that can cause significant confusion.

Board members commented once again that while the approach of using assurance statements has helped, they have not always been able to see the evidence that LPP is fulfilling its duties as a service provider. In particular there is some concern about the Board's ability to scrutinise oversight of the administration

transformation programme. All members agreed that after two years of operation they would, in the interest of members and employers, like to see an independently provided report on the business benefits delivered by LPP to the LCPF as a client.

There was strong agreement that the Board should continue to have eight members and a clear desire that due attention be given to diversity considerations when the two vacant positions are filled. The need to change the Terms of Reference as a matter of urgency to reflect the decision (at the 16th January 2018 meeting) to use a two-step appointment process rather than a ballot was noted.

I recorded universal agreement from Members that Officers provide effective and responsive support to the Board. There was a request from some members that papers be provided earlier if possible, because five working days provide little time to read them. Officers have looked at the possibility of doing this, but concluded that it is not practically possible to vary from established Lancashire County Council practice. I note in this context that LPB members are alerted to the publication of PFC agenda packs when they are published enabling members to read these papers earlier, and that these and other information is also available through the Pensions Library well ahead of the Board's meetings.

In order to ensure the LPB's role and activities are communicated to members, some Board members asked whether it was possible for there to be updates as part of the Pension Fund's regular communication programme to employers and members.

Training

There was a general view that training had improved during the year, though - as last year - some members felt that trainers might be directed to take the LPB's specific needs, which are not always the same as the PFC's, more into account. The suggestion was also made that newer members of the PFC might benefit from training on the LPB's role.

The analysis of knowledge levels revealed two areas where collectively Board members felt their knowledge was weakest: one was record-keeping and the second was reporting breaches of the law. I therefore recommend training in these two areas.

Topics for 2018

It was generally agreed that the WorkPlan agreed at the 16/01/2018 meeting provides a good basis for 2018's work schedule. Other areas which were mentioned were cyberfraud and data protection.

Recommendations

1. Review Terms of Reference and amend terms covering the process of selecting member representatives as a matter of urgency so that new members can be appointed.
2. Board activities to be divided into the following areas and two individual Board members to be asked to take formal responsibility for leading discussions on each of them. I have made some suggestions for discussion at our next meeting based on where I believe members have expertise or interest. Members should contact me if there are particular areas they do or do not wish to lead on.

Area	Includes	Members
Compliance with regulations and statutory guidance	TPR, LGPS regulations,	KH, ST
Communications	Engagement, comms policy	YM, CG
Administration	KPIs, ABSs, admin breaches	YM, ST
IT	Fraud Control, Data protection, Cyber	Vacant, CW
Investment strategy	ISS, Actuarial report, Responsible Investment	RH, ST
Service providers governance	LPP, custodian, audit	CW, RH
Risk register		CG, Vacant

3. Consideration be given to providing training on the LPB's role for PFC members, particularly those who have recently been appointed.
4. Consideration be given to the LPB having regular slots on Employer or Member newsletters or other communications.
5. Training be provided on the subjects of record-keeping and reporting breaches of law.